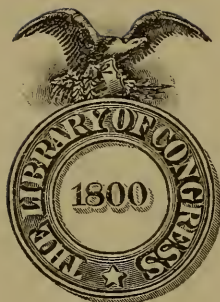


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# RAILWAY MAIL PAY

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## REPORT

OF THE

### JOINT COMMITTEE ON POSTAGE ON SECOND-CLASS MAIL MATTER AND COMPENSATION FOR THE TRANSPORTATION OF MAIL

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AUGUST 31, 1914

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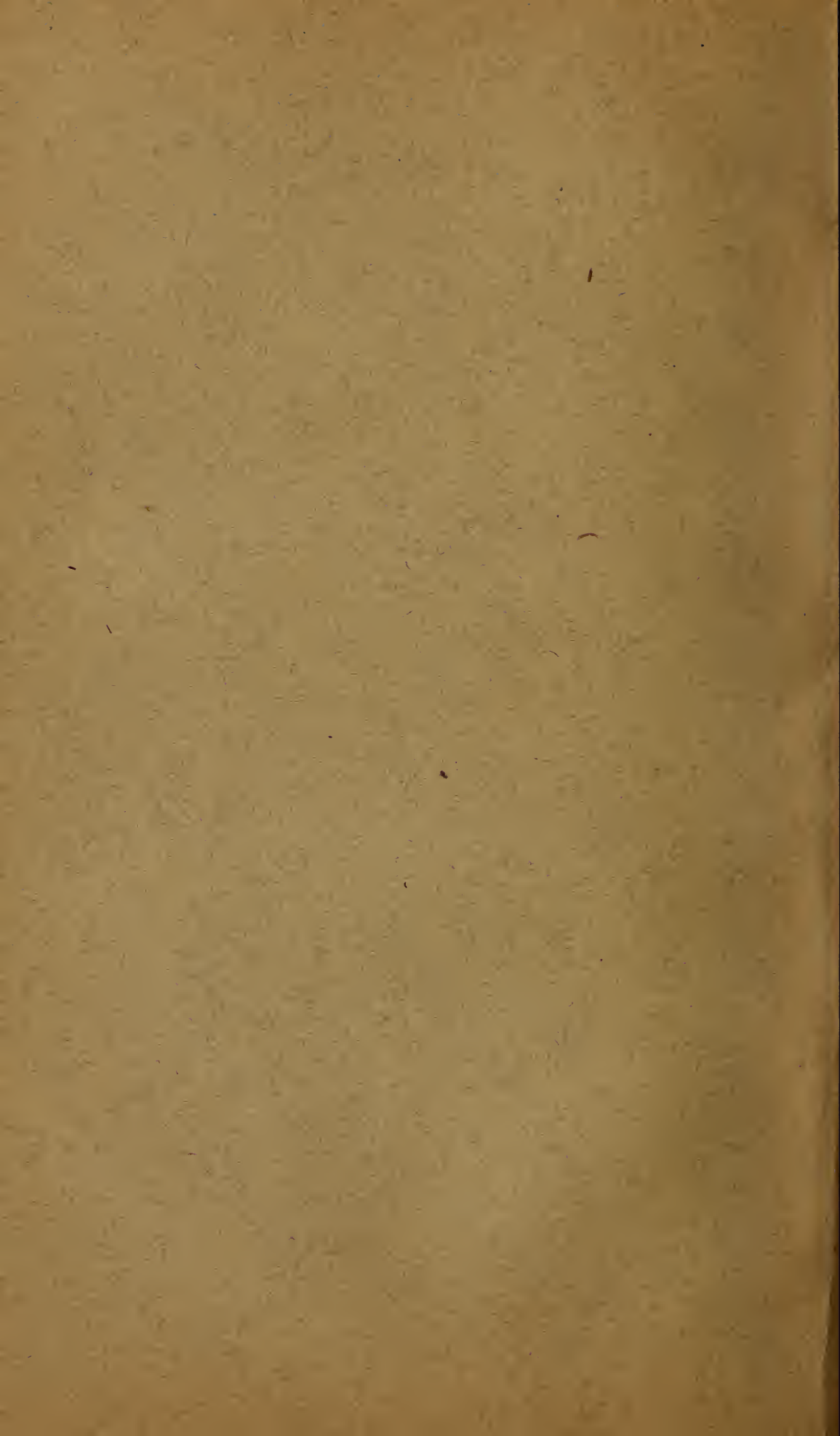
SIXTY-THIRD CONGRESS  
SECOND SESSION



WASHINGTON  
GOVERNMENT PRINTING OFFICE

1914

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# RAILWAY MAIL PAY

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## REPORT

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JOINT COMMITTEE ON POSTAGE ON SECOND-CLASS  
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THE TRANSPORTATION OF MAIL

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SIXTY-THIRD CONGRESS  
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JOINT COMMITTEE ON POSTAGE ON SECOND-CLASS MAIL MATTER  
AND COMPENSATION FOR THE TRANSPORTATION OF MAIL.

CONGRESS OF THE UNITED STATES.

JONATHAN BOURNE, JR., *Chairman.*

HARRY A. RICHARDSON.

JOHN H. BANKHEAD.

JAMES T. LLOYD.

WILLIAM E. TUTTLE, JR.

JOHN W. WEEKS.

ROBERT H. TURNER, *Secretary.*

RICHARD B. NIXON, *Disbursing Officer.*

D. OF D.  
SEP 12 1914

Ex. C., Sep. 16, 1914

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## LETTER OF TRANSMITTAL.

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WASHINGTON, August 1, 1914.

*To the Joint Committee on Postage on Second-class Mail Matter and Compensation for the Transportation of Mail:*

GENTLEMEN: On May 28, 1914, our committee adopted the following resolution:

*Resolved*, That the chairman be authorized by the joint committee to prepare the report of the joint committee.

The extreme technicality of the subject, the desirability of making a presentation clear to the layman and at the same time convincing to the statistician and specialist, has made the task a most difficult one. If I have seemed slow in complying with your request, it has been because of my earnest desire that when our report should be presented to Congress it shall contain an analysis of the vast amount of data that has been accumulated, and shall present concisely, yet comprehensively, the plan we have agreed upon and the facts and arguments which led to our conclusions.

I feel that, under all the circumstances and difficulties that we have had to contend with, the work of our committee has been remarkably expeditious and that we have well performed the duties placed upon us by Congress as far as "compensation for the transportation of mail" is concerned.

The actual work of our committee began in January, 1913, although in September preceding, immediately after the creation of our joint committee, I personally arranged for the collection of some of the information for the use of the committee. Our official investigation has, therefore, covered a period of nineteen months, which doubtless seems long to those unacquainted with our work, and was perhaps six months longer than the members of the committee believed it would take to complete the task.

Our work has been made much more difficult than I anticipated it would be, because of the very remarkable lack of definite and reliable statistics in the Post Office Department and in railroad offices regarding railway mail pay questions. As you are well aware, most of the statistics submitted by the department were in the nature of estimates, some of which were changed a number of times. We have not, therefore, had the assistance we had a right to expect from an administrative branch of the Government presumed to be under the charge of specialists.

Moreover, when this committee began its work it had before it a plan proposed by the Post Office Department, and recommended as "scientific and businesslike." The department subsequently modified its plan in many particulars and then entirely abandoned it, substituting a new plan in February of this year. Its third plan was also

discarded, or greatly modified, in its approval of H. R. 17042, introduced in the House of Representatives on June 5, 1914, and, if I am correctly informed, it has again changed its position by approving an increase in the rates contained in said H. R. 17042. While the department has appropriated in its plan presented in February, and still further absorbed in H. R. 17042 some of the vital bases which our committee had worked out, yet, if H. R. 17042 should be enacted into law some of the requirements are so pernicious as to destroy the benefits which I believe would result from the adoption of our plan.

The vacillating attitude of the department itself, as well as the unreliable departmental and railroad statistics, is largely responsible for the unexpected amount of time we have been obliged to devote to our study of this subject. On May 14, 1913, this committee considered its hearings concluded, but at the request of the Second Assistant Postmaster General granted the department permission to file a brief, which brief the committee expected to receive not later than the first of June, 1913. The brief was not filed, however, until more than six months later, to-wit, January 21, 1914.

On March 7, 1913, immediately after the inauguration of the present administration, I addressed a letter to the new Postmaster General, Hon. A. S. Burleson, directing his attention to the original and modified plans for railway mail pay advocated by his predecessor, and asked him to inform this committee whether he indorsed either of those plans; and, if so, which. Mr. Burleson replied immediately that he would give the subject prompt attention. More than 11 months elapsed, however, before I received Mr. Burleson's letter of February 12, 1914, informing the committee that the department had changed its attitude and submitting a tentative draft of a new plan.

The issues presented and the change of attitude of the department made it desirable to reopen the hearings, and this the committee did, beginning February 26, 1914, and closing April 3, 1914.

It is generally agreed among students of the subject that this committee has gathered the most extensive data ever brought together on the subject of railway mail pay, same occupying more than 1,650 printed pages, as presented in our preliminary report of January 24, 1913, and our printed hearings, commencing on January 28, 1913, and concluded on April 3, 1914, and which as printed from time to time were distributed to Members of Congress.

While I recognized the desirability of an expeditious conclusion of our work, I believed it more important that we should do our work thoroughly than that we should conclude it quickly. I should regret extremely and be deeply humiliated if our investigation had resulted, as did that of the Post Office Department, in our changing our attitude three times and advocating four radically different measures. We should certainly forfeit all claim to the confidence of Congress if we presented such a record of vacillation as did the department. If, in our anxiety to be expeditious, we had repudiated three plans we had evolved, upon what theory could we expect Congress to believe that we would for any considerable length of time, continue to advocate any new plan we might recommend?

I have been working continuously with such assistance as was available in the formulation of this report. To segregate the vast amount of information, to weigh the value of the various estimates of

the department, to distinguish between the statistics applicable to its various suggested plans, and to determine just what weights the various estimates and statistics have in relation to the plan this committee has worked out, is no small task.

I present herewith a report I have prepared in compliance with the resolution quoted at the beginning of this letter, and if the same meets with your approval, will you kindly so indicate, or express your dissent from any portions to which you do not subscribe or in which you do not wish to participate.

Yours very truly,

JONATHAN BOURNE, Jr.,  
*Chairman.*

---

### REPLIES OF MEMBERS OF COMMITTEE.

DOVER, DEL., *August 19, 1914.*

HON. JONATHAN BOURNE, Jr.,  
*Washington, D. C.*

MY DEAR SENATOR: I am in receipt of your favor of the 15th, also page proof of the report on the railway mail pay, which I have carefully read, and particularly chapters eleven and twelve, as requested, all of which meets with my hearty approval, and you are duly authorized by me to sign my name to the report in full.

With kind personal regards and best wishes, I remain,

Very truly, yours,

H. A. RICHARDSON.

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The chairman of the commission in preparing the report correctly states the finding of facts on the subject of railway mail pay, and the bill submitted in the report meets the approval of the commission. We believe, however, that the chairman is unfortunate in the reflection he makes on the Post Office Department and the Postmaster General, and from these criticisms we respectfully dissent.

As the investigation progressed nearly every one connected with it changed his views, and no one should be criticised for doing so. The country has the benefit of the most exhaustive, thorough, and conclusive investigation that has ever been made on the subject of railway mail pay, and full credit should be given to all who have contributed to this result.

The chairman takes decided stand with reference to the Government ownership of various public utilities. That discussion, excepting as to the ownership of railway post-office cars, is not within the scope of the work of the commission. The ownership of public utilities was not investigated by the commission, and it did not make any findings in regard to it. We, therefore, disclaim any responsibility for the position taken by the chairman on that subject.

J. H. BANKHEAD.  
JAMES T. LLOYD.  
W. E. TUTTLE, Jr.

AUGUST 21, 1914.

Hon. JONATHAN BOURNE, Jr.,

*Chairman Joint Committee on Postage on Second-Class**Mail Matter and Compensation for Transportation of Mail,*  
*Washington, D. C.*

DEAR MR. CHAIRMAN: In signing the report made by the Joint Committee on Postage on Second-Class Mail Matter and Compensation for the Transportation of Mail, which I have done, I wish to have this letter included to indicate that I am not entirely in sympathy with some of the strictures of the Post Office Department and its employees which the report contains. This especially applies to paragraphs on pages 19, 31, 81, 111, 112, 113, 114, 115, 116, 117, 119, and 121.

It is undoubtedly true that the Post Office Department undertook the study of the railway mail pay question just as the railroads did, without having at hand suitable information on which to base a conclusion, and it has only been through long and scrutinizing hearings which have been given by the commission that both of these elements have reached conclusions which it may be assumed are sound.

I do not think the present employees of the Post Office Department are entirely responsible for this condition, and I am not disposed to charge lack of good faith against the officers of that department in the reports which they have submitted to Congress at different times, as well as those to the commission, although I am confident that the department originally and perhaps down to the present time has approached this important question in a manner which induced attempts to demonstrate the contention that the railroads were receiving more pay than was justified by the service which they were performing. This is not unnatural, however, because it is the duty of the Government's officers to conduct all service at as low a cost as possible, but from the standpoint of the impartial observer the tendency to reduction of pay has been more marked than fairness would seem to warrant. It must be remembered that the department has been in the position of an advocate of the Government's interests while of course the railroads have been in a directly opposite position, each hoping that they would gain something by the evidence which they, from time to time, submitted to the commission.

Yours, very truly,

JOHN W. WEEKS.

## INTRODUCTION.

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*To the Senate and House of Representatives of the United States of America in Congress assembled:*

The Joint Committee on Postage on Second-Class Mail Matter and Compensation for the Transportation of Mail herewith respectfully submits the following report on compensation to steam railroads for the transportation of mail.

Because of the extreme technicality of this subject and of the general impression that the railroads have been greatly overpaid by the Government for transportation of mail, we deem it advisable to make an exhaustive report, in which we may subject ourselves to the criticism of repetition.

We are confident we have worked out a scientific, sound, and reasonable plan, herewith presented in the shape of a concrete bill, the sections of which are so correlated that in our opinion it is absolutely necessary for it to be adopted as a whole to secure the benefits resultant from such legislation. The elimination of any of its features or modification of same will materially affect the benefits that would follow the enactment of the bill.

After submitting our explanation of its construction and reasons therefor under Chapter I, we will submit in this report a series of chapters dealing with various phases of the subject, as follows:

Chapter II. A historical review of previous investigations of the subject of railway mail pay and a résumé of the testimony and arguments submitted before our joint committee.

Chapter III. The weight basis and its defects—The space basis.

Chapter IV. The department's claim that the railroads are overpaid for carrying mail.

Chapter V. What is a reasonable and just rate for transporting mail by railroads?

Chapter VI. Comparison of mail and express earnings.

Chapter VII. Comparison of earnings from passenger and mail traffic.

Chapter VIII. Comparison of mail and Pullman earnings.

Chapter IX. Analysis of the bill prepared by the joint committee.

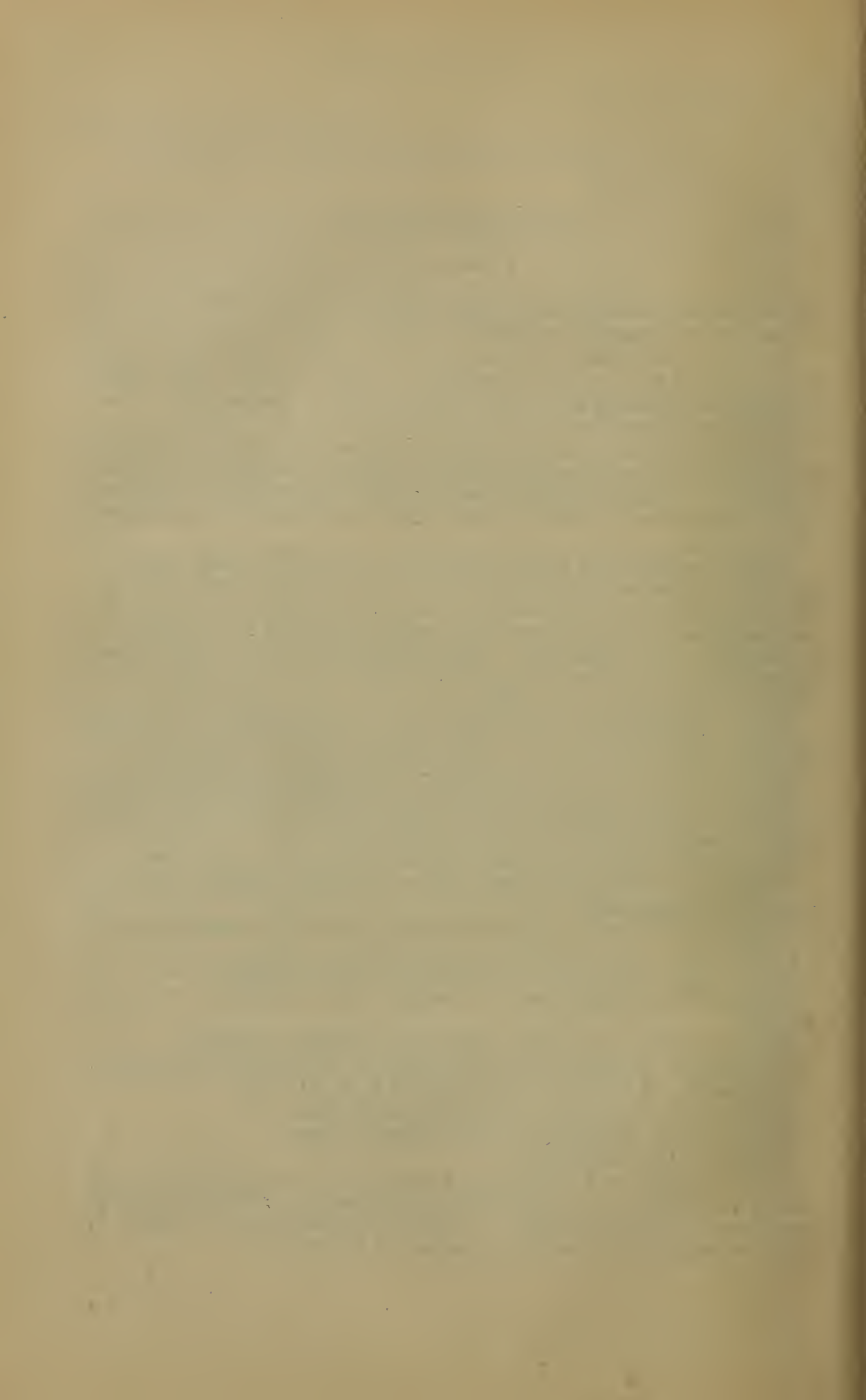
Chapter X. Government ownership of R. P. O. cars.

Chapter XI. Inadequacy of departmental data.

Chapter XII. Delegation of discretionary power.

Chapter XIII. Conclusion.

In an appendix to the report is presented an itemized statement of all the expenditures made from the appropriation of \$25,000 available for the use of this committee. The total expenditures to August 1, 1914, were \$6,560.50, leaving a balance of \$18,439.50.



# RAILWAY MAIL PAY.

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## CHAPTER I.

### EXPLANATION OF CONSTRUCTION AND DRAFT OF A BILL DIRECTING THE POSTMASTER GENERAL TO READJUST THE COMPENSATION OF STEAM RAILROAD COMPANIES FOR THE TRANSPORTATION OF MAIL.

At present, compensation for railway mail pay is based partially on space and partially on weight, about 90 per cent of the payments made to the railroads being determined by weight and the other 10 per cent by space as represented by the R. P. O. cars. The average weight is ascertained by quadrennial weighings, at an annual cost of approximately \$400,000 to the Government. The country is divided into four divisions, weighings being made in each division every four years. This method is antiquated, unscientific, and unsatisfactory, as a quadrennial weighing in a postal division must be unfair to the Government in cases where there is a decrease in the volume of mail in the four-year period and unfair to the railroads in case there is an increase. No actual data are obtainable as to the actual increase or decrease in the weight of mail, though under a weight system the lack of this information in the Post Office Department was a great surprise to your committee. The annual post-office reports show, however, an average increase in mail revenue of 7 per cent for the past 10 years; hence, undoubtedly, there has been an annual increase in the volume of mail during the same period. If the increase in weight has been proportional to the increase in revenue, then under the present quadrennial weighing system the railroads of the country have received no compensation whatever from the Government for about 14 per cent of the mail carried by them during each four-year period. Guesses have been made by departmental and railroad representatives that the probable increase in volume of business in weight of mail was about  $4\frac{1}{2}$  per cent per annum.

Two methods of payment now exist, one for the weight of the mail carried and the other for a special service performed by the railroads at the request of the Post Office Department in what are known as railway post-office cars. These two methods of payment have been bewildering to the people of the country and have led to the impression that there was a graft in the R. P. O. pay. This impression probably resulted from a declaration issued by Postmaster General Vilas in 1887, which was entirely unfounded, as we think we demonstrate on pages 105 to 110 of this report.

Realizing the weaknesses of our present method of railway mail ascertainment and payments, our committee has endeavored, and we think successfully, to evolve a scientific, specific, and simple plan and just rates which, if adopted, will be clearly understood by the

American people; will minimize the possibility of any injustice being done to either party in interest, the Government or the railroads; avoid temptations to either party in interest to deplete or pad the mails during weighing periods and tend toward standardization of the service and development of desirable economies in administration.

The substitution of space for weight as the measure of the service rendered in railway mail transportation has appealed for many years to many students of the subject and has been several times suggested though never adopted.

From the beginning of our study the desirability of substitution of space for weight strongly appealed to our committee, and our effort has been to work out a plan practical of application and administration.

Our first effort was to work out a general plan; our second, to work out rates under the plan that would give just compensation for the services rendered.

Recognizing the dangers of our present tendency toward a government by rule and regulation instead of a government by law, our committee successfully endeavored to construct a bill without any authorization of departmental power to create rules and regulations, which too frequently result in the vetoing of congressional action or the emasculation of the purposes intended by Congress in its legislation.

Early in our study we realized the lack of reliable data and information based upon operation on the part of the Post Office Department, the Interstate Commerce Commission, and the railroads themselves, and recognized the fact that we would have to make an independent study of our own, which presented great difficulties because of the extreme technicality of the subject. We deemed it wise to secure the services and cooperation of the best obtainable statistician in order to check the figures and data presented by both the Post Office Department and the railroads. We all deem ourselves extremely fortunate in our ability to arrange with the Interstate Commerce Commission that we might have intermittently, and exclusively for a period of three months, the services and cooperation of Mr. M. O. Lorenz, associate statistician of said commission, and we desire to thank the Interstate Commerce Commission for its courtesy, and to express to Mr. Lorenz our appreciation of his assistance and our admiration for the ability he has shown, the fairness he has evinced, and his breadth of horizon.

After several months study of our subject Mr. Lorenz made a suggestion, the value of which strongly appealed to our whole committee, namely, the establishment of two charges for railway mail transportation, one a terminal charge and the other a line charge. The adoption of these two charges will greatly equalize the present inequality in payments between the short-line railroads as compared with the trunk lines. This same principle was recognized in the construction of the parcel-post bill, where the pick-up and delivery charge was one charge and the transportation was the other. We therefore adopted and strongly recommend to Congress our plan of two charges, for the reason that the relative cost of reception and delivery of mail at terminals, depots, or stations on railroads is the same, regardless of the distance that the mail may be hauled, while the second or line charge varies according to the distance the mail is hauled.

## STANDARDIZATION DESIRABLE.

As business men, we all realized the desirability, if possible, of establishing one unit or yardstick and as few subunits as possible. So we adopted a 60-foot car, inside measurement, as our standard yardstick, and at Mr. Lloyd's suggestion, after many months' consideration and study, we adopted 30-foot and 15-foot apartment cars and pouch mail as our subunits. Adoption of these units will tend greatly to standardize both the postal and railroad services, as to-day there is an enormous economic waste in mail rail transportation, as well as in all transportation, through lack of standardization.

Under existing law and methods the Post Office Department uses an odd number of feet in the apartment-car service. The railroads receive no extra compensation in the apartment-car service where less than 40 linear feet of space (inside measurement) is called for. The department may call for as many apartment cars of less than 40 feet as it may see fit without any additional expense to the Government or compensation to the railroads. This is not sound in principle, as there is no incentive for intelligent and scientific standardization of the mail service, and is unjust to the other party in interest, the railroads.

Under our suggested plan a mutual benefit will accrue to both the Government and the transportation companies, as the present odd sizes will be rapidly changed into standards of 60-foot R. P. O. and storage cars, and 30 and 15-foot apartment cars. The Government will know what standards the railroads have in stock or on hand, be able to adapt their mail movements to same, and the railroads will know what empty or available space they will have in the apartment cars, so that they can more practically assemble their business and utilize space not taken by the Government, than is possible under existing law and conditions.

The problem of the pouch service was a knotty one. We finally became convinced that taking subunits of 7 linear feet, inside measurement, and 3 linear feet, inside measurement, in baggage cars, would enable the department to economically handle that service.

The Postmaster General is made the sole authority to determine which of these units or subunits the Government would require for mail movements, thus protecting absolutely the Government and insuring the railroads a cotemporaneous credit as each authorization is made by the Government and furnished by the railroads for any service, vitalizing the department in its realization that if it called for unnecessary space it would be a debit to the Government and a reflection on postal management.

## CONSTRUCTION OF RATES.

Having decided upon space as the measure of the service rendered—a 60-linear-foot car, inside measurement, as the yardstick upon which to construct our rates, with 30 and 15 linear feet, inside measurement, for apartment and storage mail as the subunits, and 7 and 3 linear feet of space, inside measurement, in baggage cars to handle the pouch mail—we entered into the problem of determining rates, which under our plan would render a reasonable and just compensation to the railroads for the performance of each service required by the Postmaster General.

Rate making is in its infancy, as evidenced by the general impression of students of the subject that cost ascertainment is a prerequisite for scientific rate making. The Interstate Commerce Commission is bending its energies toward the development of an intelligent, universal plan of cost ascertainment and apportionment. No satisfactory separation has been made between freight and passenger operating costs. Nearly all mail is carried on passenger trains. Hence, with the lack of reliable data and the resultant necessity for the establishment of many arbitraries, in case our committee tried to work out specific rates dependent on passenger or other movements, the committee, as we progressed in our study, became more and more convinced of the necessity of tying our mail rates to and constructing them on the present average passenger car-mile revenue, which may be assumed to be ample and reasonable, as nearly every State has a railroad commission, and the passenger rates have stood the tests of legislatures, railroad commissions, and courts.

#### RELATION OF MAIL TO PASSENGER SERVICE.

Mr. Bourne advanced the proposition that the main desiderata in mail transportation by railroads are frequency, regularity, speed, and safety of the service; that the volume of passenger traffic determines and primarily controls the frequency, speed, and regularity, and, to a great extent, the safety of railroad passenger transportation. Hence, everything that is necessary for or tends to increase the volume of passenger traffic must be a relatively corresponding benefit to the mail in its transportation over the railroads, and, therefore, the Government should pay its relative proportion of same. That is to say, if the mail were 2 per cent of all passenger business, then the mail should bear 2 per cent of any cost incurred in the passenger service or expended for increasing the volume of the passenger traffic. In fact, Mr. Bourne believed that, if anything, the railroads should receive a higher car-mile revenue for mail transportation than for passenger service, because, while apparently the railroads make up their passenger-train schedules, yet, under postal regulations, the mail movements interfere with these schedules, as is shown by section 1354 of the Postal Laws and Regulations, 1913, reading as follows:

A mail train must not pull out and leave mails which are in process of being loaded on the car or which the conductor or trainman has information are being trucked from wagons or some part of the station to the cars.

Delays of mail trains over roads having frequent train movements must not only seriously affect the public but cause additional expense to the railroads because of interruption or suspension of other train schedules. Trains may depart leaving delayed passengers in the depot, but must not depart leaving delayed mail in the depot. While realizing that mail movements are more important than individual passenger movements, yet, in comparing the two services, these requirements or facts should be taken into consideration.

We have been surprised that representatives of the railroads have not brought out more clearly this fact and presented our committee with concrete instances and demonstrations as to the additional expense incident to such occurrences.

The passenger service, as distinguished from freight, includes in operating revenues, passenger, mail, express, and milk. According to the Interstate Commerce Commission's reports, the average passenger revenue for the past five years has been 25.3 cents per car-mile. The roads have not segregated these car-mile revenues as between passenger proper, mail, express, and milk. The car-mile revenue from passenger service proper is doubtless over 26 cents.

Another factor that the committee considered in constructing its suggested rates was the ratio of operating expenses to operating revenues as found by the Interstate Commerce Commission on all the railroads in the United States, and we present the following in this connection:

According to Table 7 of Document No. 105, Sixty-second Congress, first session, the Post Office Department is authority for the deduction that the operating expenses and taxes of the railroads amount to slightly over 3.08 mills per car-foot mile, or 18.49 cents for hauling a 60-foot mail car 1 mile. This excludes the advertising and other traffic expenses with which the department claimed the mail should not be burdened.

According to the statistics of railways in the United States for 1911, published by the Interstate Commerce Commission, operating expenses and taxes were 72.53 per cent of the operating revenue. At the same ratio, 7 cents should be added to the department's estimate of operating expenses and taxes, namely: 18.49 cents for a 60-foot mail car mile, making a total of 25.49 cents per 60-foot car mile that the railroads should receive for the transportation of mail, on a 60-foot car mile basis, to yield them from the mail business the average rate of profit now realized on all railroad traffic, both freight and passenger combined.

Thus we had as guides in our rate recommendations 25.49 cents as the 60-foot car mile revenue according to the line of reasoning last submitted, over 26 cents per car mile as the sole passenger revenue for the whole United States, and 25.3 cents per car mile as the average revenue from all passenger train traffic, including mail, express, and milk, for the last five years. Under all the circumstances we believe that a 25-cent 60-foot car mile mail revenue to railroads would certainly be fair to the Government, though it might not be as liberal a payment to the railroads as the development of subsequent information and more reliable data resulting from the development of a better and more universal cost accounting system may demonstrate as warranted.

#### TERMINAL CHARGES.

Our next problem was the working out of a terminal charge. The principal costs in terminal passenger movements are due to the switching and cleaning of cars. In a round-trip passenger movement there is a minimum of four switches, often more. The train is made up by switching in the yard and sending it to the passenger station. Upon arrival at its destination it is sent to the yard and broken up. Then the cars are reswitched into the make-up of new trains, which are sent to the depots or terminals and then make their return trips. Upon arrival at their original starting points they are sent to the yard and again broken up. This makes a minimum of

four passenger-train switch movements, in the cost of which each 60-foot car should pay its full quota; a 30-foot car one-half; a 15-foot car one-quarter; and 7 and 3 feet for pouch mail in baggage cars seven-sixtieths or three-sixtieths of such expense, respectively.

In the mail movements for R. P. O. storage and apartment cars there is a minimum of two, although sometimes several more, switching movements in addition to the regular four passenger movements. This is due to the department's frequently requiring railroads to have these cars on the tracks in the depots prior to the making up of the passenger trains to permit the loading and frequently the distribution of mail in these cars at stations. Hence the mail should be charged with two extra full-switch movements regardless of whether the car is a full 60-foot or a 30 or 15-foot apartment or storage car, as the railroads in their utilization of their 30 feet of a 30-foot postal apartment car or their 45 feet of a 15-foot postal apartment car have no occasion for and receive no benefit from these two extra switchings.

The Interstate Commerce Commission has frequently approved switching charges of \$3 or more, although many rates lower than this are on file with the commission. After considering these rates, noting the difference between freight and passenger switching and also making some inquiry into the actual movement of switch engines and crews in switching mail cars, we suggest the adoption of \$1.25 as the basic charge for each switch movement.

On passenger train round-trip movements there are two cleanings of cars; one prior to the start of the train and one at the end of the single-trip movement prior to its return. We sought information from many roads regarding cost to them of the cleaning. From the information received, which differed very materially on different routes, we computed an average which gave a result of 3 mills per mile run and, taking the department's estimate as to the average run of R. P. O., apartment, storage cars, and pouch mail to be 227.8 miles, we found the average 60-foot car-mile single-trip cleaning cost to the railroads, according to their returns, to be 68 cents per car. In view of the doubt in our minds as to the absolute reliability of this deduction, because of the lack of complete data upon which to base same, in constructing our rates we adopted 50 cents for a 60-foot car for each single-trip movement, or \$1 for a round-trip movement as the cost of cleaning a mail car.

Thus we have for the terminal charge on our standard or yard-stick, a 60-foot car, six switching movements at \$1.25 each, or \$7.50 for a round trip and \$1 for two cleanings for the round trip, or \$8.50 for the round trip terminal charge; for the 30-foot apartment or storage car two full mail switching movements and one-half of four passenger movements, or the equivalent of a total of four full switching charges, making \$5 plus 50 cents, this latter being one-half of the cleaning cost for a full 60-foot car in a round-trip movement, making \$5.50 as the round-trip terminal charge for a 30-foot car; for a 15-foot apartment or storage car we have two full mail movement switching charges and one-fourth of the four passenger switching charges, making three full switching charges, or \$3.75 plus one-fourth of the cleaning charge on a 60-foot car, or 25 cents, making a

total of \$4 for the round-trip terminal charge for a 15-foot apartment or storage car.

For the pouch mail there are no extra switch movements because of the mail, hence we would only take four regular passenger switch movements at \$1.25 each, or \$5, plus the round trip two cleaning charges aggregating \$1, which would give us \$6, seven-sixtieths and three-sixtieths of which, respectively, would give us 70 cents for the round trip terminal charge on a 7 linear foot, inside measurement, authorization in the baggage car, and 30 cents for a 3-foot authorization. But to this should be added an additional charge, for the reason that the baggage-master and not the postal employee attends to the handling of the pouch mail in transit, he having to fill out a form of six columns for each mail pouch, making five entries on receipt of the pouch and one upon its delivery. Hence, we suggest the addition of 30 cents to the 70 cents for the 7-foot round-trip authorization and 20 cents to the 30 cents for the 3-foot round-trip authorization for the terminal charges in baggage pouch mail, which we believe is certainly not an unreasonable credit, but may be too low when taking into consideration that if the Government had to send a postal employee with this pouch mail it would be required to pay the employee probably \$3.50 a day for his services instead of these 30 or 20 cent allowances made to the railroads for utilization of the services of the railroad baggage-masters paid by the railroads themselves.

We therefore present and urgently recommend the adoption, believing we have demonstrated their conservatism from the governmental standpoint, of the following terminal rates:

Class of service.	Terminal charge irrespective of distance.	
	Round trip.	Single trip.
60-foot R. P. O. car.....	\$8.50	\$4.25
Storage cars.....	8.50	4.25
30-foot apartment.....	5.50	2.75
15-foot apartment.....	4.00	2.00
Closed pouch:		
7 feet.....	1.00	.50
3 feet.....	.50	.25

#### LINE RATES.

Now we come to the line rates. It is far more difficult to demonstrate the justice of these rates. We have been obliged, for the lack of more reliable information, to take 25 cents per 60-foot car mile as a safe or at least conservative estimate, from the governmental standpoint, and apply our terminal rates, and then work out line rates which would give an average car-mile railway mail revenue nearly equivalent to 25 cents passenger car-mile revenue. Hence, we take 21 cents for the 60-foot standard mail R. P. O. or storage car as our line rate, though some members of our committee believe this to be too low a rate.

Recognizing the well-known wholesale and retail principle that smaller units should yield a relatively higher return than larger ones,

we have given to the subunits the benefit of fractions in our suggested and recommended line rates, which are as follows:

Class of service:	Line charge per unit mile run.
60-foot R. P. O. car.....	cents.. 21
Storage cars.....	do.... 21
30-foot apartment.....	do.... 11
15-foot apartment.....	do.... 6
Closed pouch:	
7 feet.....	do.... 3
3 feet.....	do.... 1½

The adoption of our suggested terminal and line rates will give an average 60-foot car-mile mail revenue to the railroads of 24.69 cents as will be seen from study of the following table, prepared by Mr. Lorenz:

*Joint committee rates on 60-foot car basis.*

Unit.	Rate per unit.		Average distance as tabulated. <sup>1</sup>	Average rate on 60-foot car basis.					
	Terminal (round trip).	Line.		Terminal (single trip).	Line.	Terminal and line combined.			
						For average distance.	For 100 miles.	For 1,000 miles.	
		<i>Cents.</i>	<i>Miles.</i>		<i>Cents.</i>	<i>Cents.</i>	<i>Cents.</i>	<i>Cents.</i>	
60-foot R. P. O . . . . .	\$8.50	21.00	301.0	\$4.25	21.0	22.41	25.25	21.42	
60-foot storage . . . . .	8.50	21.00	556.0	4.25	21.0	21.76	25.25	21.42	
30-foot apartment . . . . .	5.50	11.00	185.0	5.50	22.0	24.97	27.50	22.55	
15-foot apartment . . . . .	4.00	6.00	80.5	8.00	24.0	33.94	32.00	24.80	
7-foot closed pouch . . . . .	1.00	3.00	} 34.5	{ 4.29	25.7	38.13	29.99	26.13	
3-foot closed pouch . . . . .	.50	1.50			30.0	44.49	35.00	30.50	
All units . . . . .					21.82	24.69			

<sup>1</sup> Average distances (especially in case of 60-foot R. P. O.'s) are too low because tabulation was made by R. P. O. routes and not on the operating run of the cars. If the 60-foot R. P. O. average run is 400 miles, the 22.41 would be changed to 22.06 cents.

Adoption of our suggested plan and rates will result in increasing the compensation of many of the short-line roads and decreasing the compensation of some of the trunk lines.

#### FUTURE INVESTIGATION PROVIDED FOR.

Because of the belief on the part of some of the committee that our line rates, especially the base rate of 21 cents for a 60-foot R. P. O. car or for a 60-foot storage car is too low, and because of our full realization of the meagerness of some of our information and the possible unreliability of other information, although we have made every effort to check same, we have included in our suggested bill section 7, giving both parties in interest, the Government, through the Post Office Department, and the railroads, when 25 per cent of the mileage of the roads carrying the mail so desire, an opportunity of initiating another ascertainment whereby Congress could have presented to it by the Interstate Commerce Commission information secured after two years' actual operation of our plan. If both the Postmaster General, representing the Government, and the representatives of over 75 per cent of the railroad mileage carrying the mail believe we have been fortunate enough to work out a plan at rates equitable to

both parties in interest the people will be saved the expense incident to any further investigation of the subject. But if either the Postmaster General or railroads representing 25 per cent of the total mileage carrying mail believe that an injustice has been done either, an avenue for determination is provided under this section, but not made operative until after two years actual operation of the law. If our plan be enacted into law, we are unanimously of the opinion that this would be a necessary period of operation in order to give any valuable additional information.

Although in our study of this problem it has been repeatedly intimated that the Post Office Department would not approve any plan that increased railway mail pay, we have not felt that the fact of increasing or decreasing railway mail pay had any bearing whatever upon the duty placed upon us by congressional action. Neither have we felt that Congress intended to appoint us as messenger boys to convey to it the wishes, directions, or threatened opposition of the Post Office Department. We have felt our sole duty to be to make, with the material available, an exhaustive, careful study of this subject and present to Congress such data as we were able to collect, such ideas as we might be able to evolve, together with a concrete plan and rates, with our reasons for our recommendation to Congress for their adoption. This we are doing in this report.

#### EXPENDITURES UNDER COMMITTEE PLAN.

Realizing that the American people are entitled to and Congress should have all information bearing directly or collaterally on a subject of this magnitude and importance, we present the following table, prepared by Mr. Lorenz, showing what appropriations would probably be required under the adoption of our plan and rates:

*Estimated compensation at rates recommended by joint committee.*

Unit.	Number of round trips. <sup>1</sup>	Terminal rate.	Terminal compensation. <sup>1</sup>	Line unit miles. <sup>2</sup>	Line rate.	Line compensation.	Total compensation. <sup>1</sup>
					<i>Cents.</i>		
60-foot R. P. O.....	171,915	\$8.50	\$1,461,278	103,546,172	21	\$21,744,696	\$23,205,974
30-foot R. P. O.....	448,011	5.50	2,464,060	165,418,313	11	18,196,014	20,660,074
15-foot R. P. O.....	467,617	4.00	1,870,468	75,315,925	6	4,518,956	6,389,424
Storage cars.....	45,573	8.50	387,371	50,662,145	21	10,639,050	11,026,421
Closed pouch 7-foot <sup>3</sup>	596,495	1.00	596,495	41,204,361	3	1,236,131	4,581,564
Closed pouch 3-foot <sup>3</sup>	1,789,484	.50	894,742	123,613,085	1½	1,854,196	
Total.....			\$7,674,414			\$58,189,043	65,863,457
Less land grant deduction (using 1.925 per cent as in letter of May 4, 1914, from Second Assistant Postmaster General to Hon. J. T. Lloyd).....							1,267,872
To be paid to railroads exclusive of side and transfer service.....							64,595,585
Estimated by department for side and transfer service.....							2,118,820
Estimated by department for freight shipments.....							714,608
Estimated cost to department (the increased space during the year being taken as offset by probable economies).....							\$67,429,013

<sup>1</sup> The number of trips are as tabulated, but this is known to be too large because tabulation was made on basis of R. P. O. routes instead of car runs. Thus a car from Washington to St. Louis and return should be charged with only one round trip terminal allowance, but in our tabulation, which was made by divisions, this was taken as three trips. This would not affect the line charge, but somewhat overstates the terminal charges.

<sup>2</sup> All units prorated to a 60-foot car-mile basis aggregate 266,734,284 miles. This is equivalent to a payment without land grant deduction of 24.69 cents per car mile and after deduction, to 24.22 cents per car mile.

<sup>3</sup> Closed-pouch service taken as consisting of 25 per cent 7-foot units and 75 per cent 3-foot units, which probably overestimates the proportion of the 7-foot units, and hence the total estimate for closed pouch is too large.

It will be noted that the department's estimate for side and transfer service now performed by the railroads, but under our suggested bill to be either performed or paid for by the Government, was \$2,118,820. The committee does not concur in the soundness of this estimate, as in our hearings it developed that the actual out-of-pocket expense to the railroads, according to the testimony of representatives of the Pennsylvania and Missouri Pacific Railroads, based on ascertained information, and the application of same to all other roads, would be less than \$500,000. Our committee believes that the department would readily be able to make contracts with the railroads to continue performing this service provided a reasonable profit were allowed them in addition to the out-of-pocket cost. For this reason our committee is of the opinion that a million dollars would be a most liberal estimate for the expense of the Government in its own performance or payment for side and transfer service.

The foregoing table of Mr. Lorenz's estimated compensation under rates suggested by our joint committee is based on the department's estimate as to the amount of car space it will require for the fiscal year 1915 in handling mail. It will doubtless be found, should our suggested plan be adopted, that when desirable economies are practiced and the department familiarizes itself with its practical operation, less space will be required than estimated by the department. Should the department's estimate exceed the actual requirements to the extent of 3 per cent, that would make a reduction of practically \$2,000,000 in the amount of actual money that the railroads would receive under Mr. Lorenz's estimate. We are confident that the total cost to the Government under the adoption and operation of our plan would certainly be less than \$65,000,000 per annum instead of the \$67,429,013 computed by Mr. Lorenz on the basis of the department's estimates as to the space that will be required and the amount necessary for the Government to pay for side and transfer service. The Post Office appropriation bill, approved March 9, 1914, carries for the fiscal year 1915 a total of \$62,110,000, made up as follows:

For inland transportation by railroad routes.....	\$56, 188, 000
For pay of freight or expressage, etc.....	510, 000
For railway post office car service.....	5, 412, 000
Total.....	\$62, 110, 000

Therefore our suggested plan and rates, if adopted, will not increase by more than \$3,000,000 the appropriation for railway mail pay in the last Post Office bill.

#### SIDE AND TRANSFER SERVICE.

Under our suggested plan, the railroads are rightly relieved of or compensated for what is known as "side" and "transfer" service. It is no more reasonable or just to compel the railroads to deliver mail to a post office after it reaches the depots or terminals than it would be for the Interstate Commerce Commission to require railroads to furnish taxicabs free of cost to take passengers to their homes on arrival at their destination depots, or motor trucks to move freight from the freight terminals to the consignees at the expense of the railroads. Hence, we provide in our suggested plan for the relief of the railroads from this unjust burden now placed upon them

and authorize the Postmaster General to make separate contracts for this service.

We recommend the continuance of the present plan of making a reduction of 20 per cent in pay to land-grant railroads. The contention of some of the land-grant roads that they should receive full payments does not appeal to us as sound. The roads accepted the conditions when they accepted the benefits incident to the land grants and, in our opinion, the 20 per cent reduction should continue.

#### SERVICE COMPULSORY.

We include section 9 in our suggested bill, believing that Congress has the right to compel the railroads to transport the mail, and that the railroads should be required to perform this service provided they receive reasonable compensation for the service rendered, as the cessation or interruption of mail movements by any refusal on the part of railroads to carry mail would work incalculable injury to the business and general welfare of the country.

#### FIXED, NOT MAXIMUM RATES.

In our suggested bill we purposely make our rates fixed, and not merely maximum, leaving no discretionary power to the Postmaster General to autocratically change the same. We assert that it would not only be most unjust, but destructive of confidence in our Government and unparalleled in rate making for Congress to fix the maximum rates and delegate to the Postmaster General the right to determine the minimum rates, he as the Government's representative being the shipper in mail transportation.

We have spent nearly two years in this study, have conscientiously and to the best of our ability endeavored to perform the duties placed upon us by Congress in its creation of our committee. We feel confident we have worked out a sound, scientific, and simple plan. We believe our suggested rates are certainly not too high from a governmental standpoint though they may be too low from a railroad standpoint. They are as near equitable as we can demonstrate by means of the data available. We herewith respectfully submit a concrete bill, so correlated that it should be adopted *in its entirety*. *The elimination of any of its features, or modifications of same, will in our opinion materially affect the benefits incident to the adoption of the bill as a whole.*

#### COMMITTEE BILL.

A BILL Authorizing and directing the Postmaster General to readjust the compensation of steam railroad companies for the transportation of mail.

SECTION 1. From January first, nineteen hundred and fifteen, or from an earlier date if practicable, the Postmaster General is authorized and directed to readjust the compensation to be paid steam railroad companies for the transportation of mail on passenger trains, mixed trains, mail trains, or cabooses of freight trains, and for services connected therewith at the rates hereinafter named: *Provided*, That where two or more railroads have varying distances between the same points, the compensation for the longer distances may be reduced to that of the shortest distance by mutual agreement between the Postmaster General and the railroad companies.

SEC. 2. The Postmaster General may authorize mail service of the following five classes, namely: Full railway post-office car service, apartment railway post-office car service, storage-car service, closed-pouch service, and side and transfer service.

Full railway post-office cars and storage cars shall be of a standard length of sixty feet, inside measurement: *Provided*, That thirty or fifteen feet of space may be authorized for the round trip in baggage cars, at the respective rates hereinafter named for thirty or fifteen foot apartment cars. Apartment cars shall be of two standard lengths, namely, thirty feet and fifteen feet, inside measurements. Closed-pouch mail service shall be the transportation of mail in pouches, bags, or hampers in custody of railroad employees on trains on which no full railway post-office cars or apartment cars are authorized. Closed-pouch service may be authorized in units of three linear feet or seven linear feet, inside measurements: *Provided*, That not more than seven linear feet of space shall be authorized on any one train at the rates hereinafter specified for closed-pouch service. Side and transfer service shall be the transportation of mail between railroad stations and post offices supplied therefrom and between railroad stations.

Authorizations of railway post-office cars, apartment cars, and storage cars herein provided for shall be for the round trip of the car and the maximum space authorized in one direction shall be determinative of the space to be paid for in the opposite direction, unless otherwise agreed upon between the Postmaster General and the railroad company in any particular case: *Provided*, That authorizations may be changed only at points where the switching of cars into or out of trains would not delay the running of such trains: *And provided further*, That not more than one apartment car shall be authorized on any one train. Authorizations for mail service under this act may be made upon any passenger or mixed train scheduled for public use, or upon the caboose of any freight train, and fast-mail trains may be contracted for at rates not exceeding those hereinafter named.

SEC. 3. Service by railway post-office, apartment, and storage cars shall include the carriage therein of all mail matter, equipment, and supplies for the mail service: *Provided*, That the Postmaster General is authorized to return to the mail, when practicable for the utilization of car space paid for and not needed for the mails, postal cards, stamped envelopes, newspaper wrappers, empty mail bags, equipment, and other supplies of the postal service. The rates fixed by this act shall also cover the transportation of persons who are discharging official duties in connection with the Railway Mail Service. Such persons shall include clerks handling mail in cars, clerks traveling from their homes to the beginning of a mail run to which they have been assigned or to their homes from such mail run, and all other persons while discharging official duties as inspectors or supervisors of the Railway Mail Service or in any other manner assigned to duty in the administration of such service.

The rates provided for herein shall further cover expenses of delivering within and receiving mails at car doors and the switching, lighting, heating, furnishing of suitable drinking water, and cleaning of mail cars. Railroad companies carrying the mails shall furnish reasonable facilities for caring for and handling them while in their custody. They shall furnish all cars or parts of cars used in the transportation and distribution of the mails, except as herein otherwise provided, and place them in stations before the departure of trains at and for such reasonable time as the department may require. They shall also provide reasonable station space and rooms for handling and transfer of mails in transit, and for offices and rooms for the employees of the Postal Service engaged in such transportation, when required by the Postmaster General.

SEC. 4. Standard specifications shall be prepared by the Postmaster General for the construction and fittings of full railway post-office cars, thirty-foot apartment cars, fifteen-foot apartment cars, and storage cars, and the rates herein named shall apply only to cars constructed and fitted in accordance with such standards: *Provided*, That whenever a railroad company is unable to furnish standard cars or apartments of the length requested, the Postmaster General may accept cars of lesser length if sufficient for the needs of the service, and pay only for the actual space furnished, the compensation to be a pro rata of that provided for by this act for the standard lengths requested: *And provided further*, That the Postmaster General may accept cars and apartments of greater length than those of the standard requested, but no compensation shall be allowed for such excess lengths.

SEC. 5. The rates of payment for the services authorized in accordance with this act shall be as follows, namely:

For full railway post-office car service, a terminal charge of \$8.50 for each round trip, or \$4.25 for each single trip, of a sixty-foot car, irrespective of the distance run, and in addition thereto a line charge at the rate of 21 cents per mile run.

For thirty-foot railway post-office apartment-car service, a terminal charge of \$5.50 for each round trip, or \$2.75 for each single trip, of a thirty-foot apartment car, irrespective of the distance run, and in addition thereto a line charge at the rate of 11 cents per mile run.

For fifteen-foot railway post-office apartment-car service, a terminal charge of \$4 for each round trip, or \$2 for each single trip, of a fifteen-foot apartment car, irrespective of distance run, and in addition thereto a line charge at the rate of 6 cents per mile run.

For closed-pouch service, when a three-foot unit is authorized, a terminal charge of 50 cents for a round trip, or 25 cents for a single trip, irrespective of the distance run, and in addition thereto a line charge at the rate of  $1\frac{1}{2}$  cents per mile for the authorized number of miles. When a seven-foot unit is authorized, a terminal charge of \$1 for a round trip, or 50 cents for a single trip, irrespective of the distance run, and in addition thereto a line charge at the rate of 3 cents per mile for the authorized number of miles.

For storage car service a terminal charge of \$8.50 for each round trip, or \$4.25 for each single trip, of a sixty-foot car, irrespective of the distance run, and in addition thereto a line charge at the rate of 21 cents per mile run.

Payment for side and transfer service shall not be covered by the rates named herein.

The Postmaster General is authorized to provide, in his discretion, by regulation screen or other wagon, automobile, or mail messenger service under existing law, or to contract with the railroad company or with other persons for the performance of such service at the lowest rates obtainable.

SEC. 6. Railroad companies whose railroads were constructed in whole or in part by a land grant made by Congress on condition that the mail should be transported over their roads at such price as Congress should by law direct shall receive only eighty per centum of the compensation which would otherwise be authorized by this act.

SEC. 7. After the rates specified in this act shall have been in effect for a period of two years, the Interstate Commerce Commission shall, whenever requested by the Postmaster General or by the representatives of railroads with an aggregate mileage of at least twenty-five per centum of the mileage of railroads carrying mail, make an investigation of the justice and reasonableness of rates then in effect, grant hearings to parties in interest, and report to Congress at the earliest practicable date thereafter the results of such investigation, making specific findings as to whether the rates fixed herein should be increased or decreased, and if either, how much. Such report shall show for each steam railroad operating company, if practicable, the amount of mail service rendered, the cost of performing same, and a comparison of the earnings of such railroad company from mail traffic with those from express traffic and other passenger train traffic. For the purpose of such investigations the Interstate Commerce Commission shall have all powers which it is now authorized to exercise in the investigation of the reasonableness of rates, and the Postmaster General shall supply such information regarding the mail service as may be requested by the Interstate Commerce Commission.

SEC. 8. All laws or parts of laws prescribing fines on railroad companies for failing or refusing to perform mail service and furnishing facilities therefor when required by the Postmaster General are continued in force and made applicable to this act.

Railroad companies carrying the mails shall submit under oath, when and in such forms as may be required by the Postmaster General, evidence as to the performance of service.

SEC. 9. It shall be unlawful for any railroad company to refuse to perform mail service at the rates of compensation specified in this act when required by the Postmaster General so to do, and for every such offense it shall be fined not exceeding \$5,000. Each day of refusal shall constitute a separate offense.

SEC. 10. All laws or parts of laws in conflict with the provisions of this act are hereby repealed. The unexpended balances of the appropriations for inland transportation by railroad routes and for railway post-office car service by act of March ninth, nineteen hundred and fourteen, making appropriations for the service of the Post Office Department for the fiscal year ending June thirtieth, nineteen hundred and fifteen, and for other purposes, are hereby made available for the purposes of this act.

#### COMMENTS ON PROVISIONS OF BILL.

Section 1. January 1, 1915, is selected as the date of mandatory commencement of operation of committee's suggested bill, if enacted into law, on the assumption that ample time is thus allowed for the Post Office Department to make full arrangements for the administration of the law. At the same time an earlier date is authorized in case the department can sooner complete administrative organization.

The proviso in this section is suggested in order that the department may be authorized to take advantage, should opportunity present itself, where railroads have different distances between the same points and the railroad with the longest mileage is willing to carry mail at the rate payable to the road with the shortest mileage. This provision covers the desirable competitive element and at the same time avoids any dictatorial power on the part of the department and holds inviolate the right and desirability of Congress itself determining rates.

Section 2. This section establishes and defines the classes of mail service that the Postmaster General may authorize; makes space the measure of the service rendered; a 60-foot car, inside measurement, the yardstick for the determination of the amount of service authorized and performed, with 30 and 15 foot subunits, inside measurement, or, respectively, half and quarter yardsticks with 3 and 7 linear feet subunits or divisions of the yardstick applicable only to closed-pouch service.

Side and transfer service are defined; authorizations of railway postoffice-cars, apartment cars, and storage cars are made mandatory for a round trip, unless otherwise agreed upon by the Postmaster General and a railroad company in any particular case. This provision seems just and sound. It is intended to make the department more careful in making authorizations, to insure the most economical and efficient mail movements, and at the same time give the railroads compensation where the cars might come back empty, and yet by mutual agreement gives the department and railroad an opportunity of permitting the railroad to utilize an empty car on a return trip, especially a storage car, for other transportation for which they might receive a higher rate than they would from the Government under the rates specified in our suggested bill. This makes an incentive beneficial to both the department and railroad and minimizes economic waste.

The suggested law specially provides that authorizations may be changed only at points where the switching of cars into or out of trains will not delay the running of such trains.

This is desirable and necessary for the protection of the public so that there shall be the least possible interference with transportation because of the supremacy given under the law to the right of way of mail over all other traffic, and our rates, especially the terminal rates, are scientifically constructed on the basis of the minimum switch movements for mail traffic.

Section 3. Contains definitions of the service expected to be performed. The first proviso permits the utilization of such portions of authorized space as may intermittently not be needed for the mails proper, for transportation of postal cards, stamped envelopes, supplies and equipment directly connected with the mail. This should save the Government considerable money.

The railroads also are to be compelled to carry, without extra charge, railway mail employees during the discharge of their official duties, but only those Government employees whose duties are directly performed in connection with the Railway Mail Service. The railroads should no more be expected to carry postal employees free of charge when not directly and officially connected with the Railway Mail

Service than they should United States Government engineers, officers, or employees of any other department in our Government.

Under this section of the bill the railroads will receive the mail at the station door or platform and place it in the car door, or, in the case of incoming mail, will receive it at the car door and deliver it to the mail wagon at the station platform or station door. Handling the mail in the cars and putting it off the cars will be performed by Government employees. Railroads must supply the trucks for handling the mails at terminals and at stations. Heretofore regulations of the department have required the placing of cars at stations before the departure of trains, in order that clerks might distribute the mail therein, and they have also been required to furnish room in the larger stations for handling and transfer of mails in transit. This section makes this a requirement of law and not a regulation.

Section 4. The provisions of this section give the railroads definite notice of the dimensions of cars or apartments that are likely to be required by the Government. They will not be subject to the expense of being unexpectedly called upon to furnish odd-sized apartments or to change the interior arrangement of cars at unknown intervals. Should the railroad company be unable to furnish the space required by law, a larger amount of space must be provided, but no additional compensation will be allowed therefor.

Section 5. Establishment of two rates, one a terminal charge and the other a line charge, equalizes the compensation as between long and short routes. The terminal expense in the case of a 100-mile route is practically the same as the terminal expense for a 500-mile route. The cleaning of the car and the switching expenses are the same in one case as in the other. The difference in mail transportation expense depends upon the difference of the haul; therefore we believe it desirable to fix a uniform terminal charge regardless of distance, and then pay the railroads a mileage rate for the hauling of the mail. The rates prescribed in this section will afford the railroads a slightly less return on the transportation of mail in mail cars than they are now receiving for the transportation of passengers in passenger cars. A more extended discussion of the basis of these rates will be found on pages 11-21 and 100-104 of this report. The last clause of section 5 relieves the railroads of what is known as side and terminal service; that is, the transportation of mail between railway stations and between railway station and post office. We see no reason why the railroads should be required to transport the mail on city streets or country roads.

Section 6. In 1878 Congress adopted the policy of paying land-grant railroads 80 per cent of the regular weight compensation for transporting the mail. They even allowed full compensation for railway post office car service. This section limits all mail compensation of such roads to 80 per cent of regular rates.

Section 7. This commission has spared no effort in securing the most reliable data upon the subject of cost of and reasonable compensation for transportation of the mail. We recognize, however, that some of our information is in the nature of estimates and that possibly some of the provisions of our suggested bill if enacted into law may not produce the results we anticipate. In order to provide against such contingency, we suggest the enactment of section 7, which requires the Interstate Commerce Commission, upon request

of the Postmaster General or representatives of the railroads with an aggregate mileage of at least 25 per cent of the total mileage of railroads carrying mail, to investigate the justice and reasonableness of the rates herein established. In the event that both the department and more than three-fourths of the railroads shall be content with these rates, they shall remain in force; no investigation will be necessary. Knowledge on the part of both the department and the railroads that an investigation may be called for at the end of two years will undoubtedly make both parties in interest more careful in keeping statistical records as to the operation of the law.

Section 8. This section we deem essential in order to provide for the punishment of railroads failing to perform services. The second clause of the section aids in preventing payment for services not rendered.

Section 9. Heretofore the law has not required railroads to carry mail. Theoretically, mail transportation is a matter of contract between the Government and each individual road. Practically, railroads have been compelled to carry the mail, as they could not withstand the public criticism which would follow refusal to do so. We believe that the Government should pay a reasonable commercial rate for the service it receives, and that when such compensation is tendered the railroads should be compelled to perform the service.

Section 10. This section makes existing appropriations under the present system of compensation available for use under the space basis if adopted.

## CHAPTER II.

### HISTORICAL REVIEW OF PREVIOUS INVESTIGATIONS OF THE SUBJECT OF RAILWAY MAIL PAY AND RÉSUMÉ OF TESTIMONY AND ARGUMENTS SUBMITTED IN THIS INQUIRY.

Our joint committee has been acting under the following provisions of law, namely, the acts of August 24, 1912, March 4, 1913, and March 9, 1914, which read, respectively, as follows:

*Provided*, That a joint committee shall be appointed composed of three members of the Senate Committee on Post Offices and Post Roads and three members of the House Committee on the Post Office and Post Roads, to be designated by the respective chairmen, to make inquiry into the subject of postage on second-class mail matter and compensation for the transportation of mail and to report at the earliest practicable date, and for this purpose they are authorized by subcommittee or otherwise to sit during the sessions or recess of Congress, at such times and places as they may deem advisable, to send for persons and papers, to administer oaths, to summon and compel the attendance of witnesses, and to employ such clerical, expert, and stenographic assistance as shall be necessary, and to pay the necessary expenses of such inquiry there is hereby appropriated, out of any money in the Treasury not otherwise appropriated, the sum of \$25,000, to be paid out upon the audit and order of the chairman or acting chairman of said committee. (Act of Aug. 24, 1912.)

*Provided*, That the personnel of the membership of the committees and commissions created and provided for in sections one and eight of the act entitled "An act making appropriations for the service of the Post Office Department for the fiscal year ending June thirtieth, nineteen hundred and thirteen, and for other purposes," approved August twenty-fourth, nineteen hundred and twelve, shall continue with the same authorities, powers, and provisions for expenses until final report is made to Congress, which shall be made on or before March fourth, nineteen hundred and fourteen. (Act of March 4, 1913.)

That the personnel of the membership of the committees and commissions created and provided for in sections one and eight of the act entitled "An act making appropriations for the service of the Post Office Department for the fiscal year ending June thirtieth, nineteen hundred and thirteen, and for other purposes," approved August twenty-fourth, nineteen hundred and twelve, shall continue with the same authorities, powers, and provisions for expenses until final report is made to Congress, which shall be made on or before December first, nineteen hundred and fourteen. (Act of March 9, 1914.)

It is to be noted that under the act of August 24, 1912, creating the joint committee, we were directed to report at the *earliest practicable date*. Under the act of March 4, 1913, continuing the personnel of the joint committee with the same duties, powers, etc., as conferred by the act of August 24, 1912, we were directed to report *on or before March 4, 1914*. The proviso continuing the personnel of the joint committee was enacted in order that Congress might not be deprived of the services and the benefit of the study given to the subject by Hon. Jonathan Bourne, jr., and Hon. Harry A. Richardson, the term of office of each of these Senators expiring on March 3, 1913, since which time both have served without any compensation, paying their own expenses. As the joint committee had not completed its work on March 4, 1914, the personnel of the committee was on March 9, 1914, again continued, with the same duties, powers, etc., as conferred by the act of August 24, 1912, and directed to make its report on or before December 1, 1914.

The progress made by the joint committee in the interims referred to will be stated more at length hereafter.

## INVESTIGATIONS BY FORMER COMMISSIONS.

Before entering into detail as to the work of the joint committee, a brief review of investigations had by former commissions into the subject of railway mail pay may be enlightening.

## THE HUBBARD COMMISSION (1878).

## SPACE, COST, AND SPEED.

Under the act of July 12, 1876, the President appointed a commission on railroad transportation of the mails, commonly known as the Hubbard Commission. This commission in April, 1878, reported in favor of a system in which space, cost, and speed were made the determining factors. (S. Mis. Doc. 14, 45th Cong., 2d sess.)

After an investigation covering two years, the Hubbard Commission reached the conclusion that the proper basis for determining what compensation should be paid the railroads was space and that on such basis the railroads should be paid the cost and a fair profit thereon.

Two reports were made, a majority and minority report, the opinion being expressed in the former that 10 per cent should be subtracted from the total operating expenses for passenger-train service on account of station and other expenses not applicable to the Postal Service and that 54.1 per cent be added to provide a return equal to that received by the railroads from the general public. The minority report, after taking the operating expenses of the railroads for passenger-train service and deducting 13 per cent therefrom for station and other expenses in which it was believed the Postal Service did not participate, added 45 per cent to cover fixed charges and interest on the investment.

The rates recommended in the majority report would have yielded 6.1 mills to 8.5 mills per linear foot of car space for speeds of 25 and 40 miles per hour, respectively, while those recommended in the minority report would have yielded 5.82 mills to 7.12 mills for speeds of 23 and 35 miles per hour, respectively.

The minority report also differed from the majority report in that it recommended authorizing the Postmaster General to ascertain every four years, or oftener, the average cost of running a passenger train measured by a linear foot and what percentage should be added thereto to give a fair profit to the railroads. The majority report made no recommendation in this respect.

Both reports contemplated a law authorizing the Postmaster General to determine the amount of car space required as measured by the quantity of mail carried.

It was recommended in both reports that the railroads should be relieved of side and terminal service and that, in case of differences between the railroads and the Post Office Department, such differences should be referred to a board of arbitration, to be authorized by Congress, for settlement.

## ELMER-THOMPSON-SLATER COMMISSION (1883).

## SPACE-WEIGHT AND SPEED.

Under the act of March 3, 1883, the Postmaster General appointed a commission commonly known as the Elmer-Thompson-Slater Commission. Under date of December 3, 1883, that commission made its report, which Postmaster General Gresham transmitted to Congress on December 20 of the same year (H. R. Ex. Doc. No. 35, 48th Cong. 1st sess.). This report recommended a system based on space, weight, and speed.

This was a departmental commission, consisting of the Second Assistant Postmaster General, the general superintendent of Railway Mail Service, and the superintendent of the Division of Railway Adjustments.

They recommended that the basis of pay should be the car space used, determined by taking a linear foot of car per mile run as the unit and the frequency and speed with which the mails were conveyed; that the space factor should be determined by the Postmaster General, modified by weight and frequency of the mails; the speed factor to be determined by the schedules of the various railroads in connection with the official reports of the Railway Mail Service.

It was recommended that the Postmaster General be authorized to increase or reduce the amount of space to be paid for, as the case might be, after a weighing had to determine whether there had been a sufficient increase or diminution in the amount of mail transported on any railroad to warrant an increase or diminution in pay.

For closed-pouch service they recommended a rate of 5 mills per linear foot per mile run for 6 linear inches of space, the equivalent of 200 pounds of mail or less, but not less than \$35 per mile per annum upon any route on which six-round trips per week were made. For railway post-office cars at speeds ranging from 20 miles or less per hour to 30 miles per hour rates of 5 mills and 5.5 mills, respectively, were suggested, and for each additional mile in excess of 30 miles one-tenth of a mill additional. In the adjustment of space in railway post offices they recommended allowances ranging from 13 feet for 500 pounds, daily average, to 60 feet for 8,000 pounds.

The commission found that the average earning from passenger-train service was 26 cents per car mile. They concluded, therefore, that if the railroads received 5 mills per linear car foot per mile run, or at the rate of 25 cents for a 50-foot car at the ordinary speed of 20 miles per hour, they would be getting a rate corresponding closely to the returns from all passenger traffic combined and one that was just and reasonable. They also recommended that side service should be separated from railway transportation.

The commission also had in mind placing some restrictive gauge upon the exercise of discretionary and arbitrary power by officers of the Post Office Department in making allowances for space. It was thought that the gauge prescribed by the committee, namely, weight of the mails modified by the room necessary in which to assort and distribute the same and the speed with which they were conveyed, would remove all possibility of improper or arbitrary allowances in determining the space and pay on any particular railroad.

To summarize, the commission was for a space measure, restricted and regulated by the weight carried, with a rate based upon the average train earnings for ordinary speeds and a higher rate for speeds above the ordinary.

### WOLCOTT-LOUD COMMISSION (1901).

Under the act of June 13, 1898, a congressional Postal Service Commission was created, commonly known as the Wolcott-Loud Commission. This commission reported on January 1, 1901, reaching the conclusion that the prices paid to the railroad companies for the transportation of the mail were not excessive (S. Doc. No. 89, pt. 1, p. 19, 56th Cong., 2d sess.); and further, that the prices paid as compensation for the postal-car service were not excessive. With reference to space it says (p. 15 of the same report):

The commission, while recognizing that the question of "space" must be considered as having a strong influence upon the question of the reasonableness of the present railway mail pay, feels unwilling to recommend it as the controlling standard by which the rates of compensation for the transportation of the mails shall be fixed, because of the impossibility, with the evidence before the commission, of applying the "space" basis of payment to the carriage of the mails.

As to this, Mr. Loud, in a separate report, says:

Space, in my opinion, should be the basis of pay; and I reach this conclusion from the fact, which must be apparent to everyone who has made a careful study of this question, that space is the principal and therefore should be the controlling factor. (Id., p. 22.)

Again, on page 24 of the same report, he says:

There is not sufficient testimony before the commission, in my opinion, to recommend what rate should be paid for a given space, but the lack of such testimony results from the fact that the system of space payment was regarded generally by the commission as impracticable, and a proper investigation in that direction was not pursued.

### HITCHCOCK PLAN (1911).

This now leads to a consideration of H. R. Document No. 105, Sixty-second Congress, first session, "A report giving the results of the inquiry as to the operation, receipts, and expenditures of railroad companies transporting the mails, and recommending legislation on the subject," and submitted to Congress by Postmaster General Hitchcock on August 12, 1911.

The authority under which this inquiry was conducted by the Post Office Department was the act of March 3, 1879, which reads as follows:

The Postmaster General shall request all railroad companies transporting the mails to furnish, under seal, such data relating to the operating, receipts, and expenditures of such roads as may, in his judgment, be deemed necessary to enable him to ascertain the cost of mail transportation and the proper compensation to be paid for the same; and he shall, in his annual report to Congress, make such recommendations, founded on the information obtained under this section, as shall, in his opinion, be just and equitable.

Although this law had been on the statute books for 28 years, no definite action was taken thereunder until 1907, during the administration of Mr. Cortelyou, when Second Assistant Postmaster General Shallenberger was directed to pursue the inquiry contemplated by the statute. The inquiry was continued by Mr. Meyer,

who succeeded Mr. Cortelyou as Postmaster General, and was pursued to completion under the administration of Mr. Hitchcock. (Hearings, pp. 3, 4, and 5.)

The plan in brief proposed the substitution of space for weight as the main factor to be used in the determination of the compensation to be paid the railroads for carrying the mail. To measure the space used and to determine the cost incurred by the railroads in the performance of mail service, it adopted as the yardstick or measure for these respective determinations a linear car-foot mile. A separation was made of the operating expenses and taxes of the freight and passenger train service, respectively. For determining the operating expenses and taxes applicable only to passenger service proper as distinct from mail and express services, the number of car-foot miles made in each service was ascertained. The percentage of the mail car-foot miles to the total passenger-train car-foot miles was then used to apportion to the mail service its share of the operating expenses and taxes assigned to passenger, mail, express, and other passenger-train services after certain expenses, such as traffic and advertising expenses, had been entirely eliminated, on the ground that the mail should not share in such expenses at all. The percentage of mail car-foot miles was 7.09 (Hearings, p. 1008), while the percentage of passenger-train operating expenses and taxes assigned to mail service was 6.68 (Hearings, p. 996). It was then proposed, in addition to reimbursing the railroads for the cost incurred and taxes paid on account of mail service, to pay them a 6 per cent return on such cost, including taxes.

In his letter of August 12, 1911, transmitting said document to Congress, Postmaster General Hitchcock stated that by the adoption of this plan a saving of \$9,000,000 to the Government could be effected. The plan contemplated no return on capitalization, the compensation to be received by the railroads being restricted to actual operating cost, including taxes, and a 6 per cent return thereon. It did not relieve the railroads from performance of side and terminal service, and made mandatory upon them the carrying of all employees and officers of the Post Office Department free when traveling on official business. As already indicated, both the majority and minority reports of the Hubbard Commission recommended a return to cover fixed charges and interest on the investment. Both reports recommended that the railroads be relieved from side and terminal service. The Elmer-Thompson-Slater Commission recommended a return closely corresponding to the return from all passenger train traffic. The Wolcott-Loud Commission also viewed railway-mail pay as a commercial proposition.

Document 105 was largely responsible, as indicated in the chairman's preliminary report, for the creation of the present joint congressional committee. A bill of the same purport as contained in Document 105 was presented to the Senate Committee on Post Offices and Post Roads when it had under consideration the Post Office appropriation bill for the fiscal year ending June 30, 1913. Its provisions were strongly recommended by Postmaster General Hitchcock, through his second assistant, Hon. Joseph Stewart. The recommended bill was incorporated in one of the committee prints of the Post Office appropriation bill, but owing to the fact that the bill was already burdened with new legislation, it was thought wise by the

committee to postpone consideration until some future time. Hon. Jonathan Bourne, jr., then chairman of the Senate Post Offices and Post Roads Committee, was authorized to introduce the bill in the Senate, which he did on July 26, 1913. The bill was numbered S. 7371, and referred to the Senate Committee on Post Offices and Post Roads.

The compilation and tabulation of the information contained in the Hitchcock plan enunciated in House Document No. 105, Sixty-second Congress, first session, cost the Government approximately \$19,500, two specific appropriations of \$10,000 each having been made by Congress for that purpose. The railroads claim that in round numbers it cost them a quarter million of dollars to secure the information sought by the department.

The Hubbard Commission in its investigation expended \$16,000, \$10,000 of which being a specific appropriation and \$6,000 payable out of the postal revenue.

To cover the expenses of the Elmer-Thompson-Slater Commission the sum of \$10,000 was appropriated, payable out of the appropriation for "Inland transportation by railroad routes."

In the investigation made by the Wolcott-Loud Commission \$27,000 was appropriated to cover the expenses thereof, of which \$21,852.14 was expended.

#### EXPENSE OF POSTAL INVESTIGATIONS.

Below is given a statement, taken from a letter of Hon. Charles A. Kram, Auditor for the Post Office Department, dated February 21, 1914, and addressed to Hon. Jonathan Bourne, jr., showing the amount appropriated, expenditures, and the balance carried to surplus fund, for the commissions above named, together with that of three other commissions appointed to investigate postal subjects other than that of railway-mail pay:

	Appropriations.	Expenditures.	Balance carried to surplus fund.
Commission on railroad transportation of mails (Hubbard Commission):			
Act July 12, 1876 (19 Stat., 79).....			
1877.....	\$10,000.00	\$10,000.00	
Act Mar. 3, 1877 (19 Stat., 385), payable from postal revenues.....	6,000.00		
Departmental investigation of Railway Mail Service (Elmer-Thompson-Slater Commission):			
Act Mar. 3, 1883 (22 Stat., 455).....	10,000.00		
(This sum was payable out of the appropriation "Inland mail transportation, railroad routes," and no separate account appears to have been kept of the expenditures for this commission.)			
Postal Service commission (Wolcott-Loud):			
Act June 13, 1898 (30 Stat., 445).....	20,000.00		
Act Mar. 1, 1899 (30 Stat., 966).....	7,000.00	10,000.00	
1900.....		8,658.93	
1901.....		3,193.21	
1903.....			\$5,147.86
Joint commission on second-class mail matter:			
Act June 26, 1906 (34 Stat., 477).....			
1907.....	25,000.00	10,534.16	
1913.....			14,465.84
Joint commission on business methods of Post Office Department and Postal Service:			
Act Mar. 2, 1907 (34 Stat., 1217).....	75,000.00	15,000.00	
1908.....		59,661.01	
Act May 27, 1906 (35 Stat., 417).....			
1909.....	10,000.00	3,545.98	
1913.....			6,793.01

	Appropriations.	Expenditures.	Balance carried to surplus fund.
Commission to investigate cost of handling second-class mail (Hughes Commission):			
Joint resolution Mar. 2, 1911 (36 Stat., 1458).....	\$25,000.00		
1912.....		\$18,565.95	
1913.....			\$6,434.05
Joint committee on postage on second-class mail matter and compensation for the transportation of mail: <sup>1</sup>			
Act of Aug. 24, 1912.....	25,000.00		
Act of Mar. 4, 1913.....			
Act of Mar. 9, 1914.....			
(Personnel and powers of joint committee continued by two last-named acts.)			
Acts of July 31, 1914.....		6,560.50	

<sup>1</sup> The expenses of this joint committee were not taken from the statement given by Mr. Kram, but from the records of the joint committee.

### PROGRESS OF THE WORK OF THIS JOINT COMMITTEE.

On August 26, 1912, two days after the passage of the act creating the present committee, Congress adjourned sine die, and immediately almost all the Members of Congress departed for their homes. Owing to the press of legislative business of the last two days of the session, there was not time for organization of the joint committee and the formulation of a plan of procedure.

The organization was delayed after the convening of Congress in December by the absence of several Members. On January 6, 1913, the committee was finally organized, but no time had been lost by the delay in its organization. Hon. Jonathan Bourne, jr., then chairman of the Senate Committee on Post Offices and Post Roads, had, on September 11, 1912, sent a copy of S. 7371 to the executive officers of all the railroads carrying the mails, 795 in number, the purpose being to save time and secure an expression of opinion on the plan recommended by the Post Office Department as embodied in the bill introduced and known as Senate bill 7371 so that the joint committee might have before it the briefs of both parties in interest.

The replies to the chairman's circular letter submitting the bill to the railroads clearly indicated that they were united in opposition to its provisions. During the Christmas holidays the chairman arranged for a conference, at which the following gentlemen were present: The Hon. Joseph Stewart, Second Assistant Postmaster General; Mr. Ralph Peters, chairman of a committee on railway mail pay, representing the railroads; Mr. W. A. Worthington, assistant director of maintenance and operation, Union Pacific and Southern Pacific systems; and Mr. V. J. Bradley, general supervisor of mail traffic, Pennsylvania Railroad Co.

### DEPARTMENT PLAN MODIFIED.

This conference developed that the main objections of the railroads to the department's bill, aside from their general objection to the space basis, were that the Postmaster General was authorized to make the primary separation between passenger and freight services; that it made no provision for crediting the railroad companies with a reasonable return on the capital employed in the Railway Mail Service; and that in the matter of car space it did not

credit the railroads with the maximum space in both directions. The Postmaster General stated through his Second Assistant Postmaster General, the Hon. Joseph Stewart, and directly by telephone, that he was willing to make the concessions to the railroads in the respects indicated.

Shortly after the informal conference referred to, namely, January 6, 1913, the committee organized, and the chairman, after calling the committee's attention to the foregoing modifications in the departmental plan, was authorized to formulate a letter to Postmaster General Hitchcock, asking him to indicate in writing his recommendations, with his reasons therefor.

This letter was as follows:

JANUARY 6, 1913.

HON. FRANK H. HITCHCOCK,  
*Postmaster General, Washington, D. C.*

MY DEAR GENERAL: Referring to telephonic conversation had with you several days ago, in which you stated that the department was willing to make certain concessions to the railroad companies in the matter of railway mail pay by modifying the position taken by it in House Document No. 105 and as expressed in the pending bill, S. 7371.

As I understand it, while approving in general the plan outlined in House Document No. 105, you are now prepared to recommend certain modifications of that plan in these particulars, to wit:

First. That the Interstate Commerce Commission instead of the Postmaster General be authorized to make the primary separation between passenger and freight business.

Second. That in the matter of car space the railroad companies be credited with the maximum space in both directions.

Third. That in addition to a compensation of 6 per cent of the operating expenses the railroad companies, after an apportionment, be credited with a reasonable percentage of the capital employed in and relating to the Railway Mail Service.

The joint committee organized this morning and is anxious to have you indicate in writing, at the earliest possible date, your recommendations modifying the plan as outlined in House Document No. 105, with your reasons therefor.

As prompt a response as the nature of this request will permit is desired.

Yours, very truly,

JONATHAN BOURNE, Jr.,  
*Chairman Joint Committee on Postage on Second-class Mail  
Matter and Compensation for the Transportation of Mail.*

In reply the Postmaster General sent the following telegram:

WASHINGTON, D. C., January 8, 1913.

HON. JONATHAN BOURNE, Jr.,  
*United States Senate, Washington, D. C.:*

Your letter of to-day is accurate in its statement of the modifications I favor.

FRANK H. HITCHCOCK.

His formal reply to the chairman's letter of January 6 reads as follows:

POST OFFICE DEPARTMENT,  
OFFICE OF THE POSTMASTER GENERAL,  
*Washington, D. C., January 9, 1913.*

HON. JONATHAN BOURNE, Jr.,  
*Chairman Joint Committee on Postage on Second-Class Mail Matter  
and Compensation for the Transportation of Mail.*

MY DEAR MR. CHAIRMAN: Referring to your letter of the 6th instant regarding certain proposed modifications of the general plan outlined in House Document No. 105 for readjusting railroad mail pay, I have the honor to state that I am willing to recommend the following in connection therewith:

First. That the Interstate Commerce Commission, instead of the Postmaster General, be authorized to make the separation of operating expenses between passenger and freight services.

Second. That in computing the car-foot miles the mail service shall be charged in both directions for a line of railway post-office cars with the maximum space authorized in either direction.

Third. That, in addition to the operating expenses and taxes apportionable to the mail service and 6 per cent thereof, companies may be allowed such additional amounts, if any be necessary, as shall render the whole a proper proportion of a fair and reasonable return on the value of the property necessarily employed in connection with the mail service.

Such modifications of the phraseology of the proposed law as may be necessary to effect these changes will be prepared as early as practicable.

Yours, very truly,

FRANK H. HITCHCOCK,  
*Postmaster General.*

“DEAD SPACE.”

Later it developed that the modification relating to car-foot miles was no modification at all, the Post Office Department claiming that under the rules set forth in Document No. 105, it had already given full credit to the railroads in its space figures contained in that document, so far as a line of full railway post-office cars were concerned, for the maximum space authorized in either direction.

This was brought out early in the hearings by Mr. V. J. Bradley, supervisor of mail traffic, Pennsylvania Railroad Co. (Hearings, pp. 435 and 436) in response to a question of the chairman as to what effect the concession made in Postmaster General Hitchcock's letter of January 9, 1913, with reference to car-miles would have on the disallowance by the Post Office Department of 26,155,391 car-miles reported by his company. His answer was as follows:

That is simply a restatement by the former Postmaster General of the practice which the Post Office Department claimed to have pursued in preparing Document No. 105 in regard to recognition of space in full railway post-office cars. It is therefore not regarded as a modification.

Then the following colloquy occurred between the chairman and Mr. Bradley (Hearings, pp. 436-437):

The CHAIRMAN. Read my letter to the Postmaster General, on page 96, dated January 6, 1913, and kindly inform me if acquiescence of the department or by law in the terms of such letter would, if in effect, have wiped out this difference of twenty-six-odd millions?

Mr. BRADLEY. If the Post Office Department had given a plain affirmation to your second paragraph, reading, “In the matter of car space the railroad companies be credited with the maximum space in both directions,” I would say that would have entirely settled the question at issue as regards dead mail space.

The CHAIRMAN. I have a telegram from the then Postmaster General, Mr. Hitchcock, referring to my letter of January 6, 1913, reading as follows: “Your letter of to-day is accurate in its statement of the modifications I favor.” That telegram, you take it, is contradictory, taken in conjunction with my letter and the letter of Mr. Hitchcock of January 9, which you have read.

Mr. BRADLEY. It seems to me that the letter of the former Postmaster General particularly limits the modification he is willing to make to the full railway post-office car, regarding which, in the case of the Pennsylvania Railroad Co., we had a difference with the Post Office Department of only 6½ per cent, and that it does not propose or consent to any modification in regard to the other classes of mail-car space, storage cars, apartment cars, and closed-pouch space, which together represent 21,000,000 car-foot miles out of 26,000,000 disallowed. Therefore, the modification, as I understand it, is only a very slight approach toward an adjustment of the differences.

The CHAIRMAN. But all this difference of twenty-six odd million car-foot miles would be dissipated by the allowance of car space by crediting the railroad company with maximum space in both directions in the matter of car space.

Mr. BRADLEY. Yes; and that would be, as I say, a simple recognition of the space that was actually and necessarily operated for the mails during the month selected for the test—November, 1909.

The CHAIRMAN. Such an allowance, by law or by the department, namely, crediting railroad companies with maximum space in both directions for all car space used, would rectify the discrepancy between yourself and the department as represented by the nonallowance for 13,546,378 car-foot miles on empty storage cars running, would it not?

Mr. BRADLEY. I believe so.

The CHAIRMAN. So that really the main difference between you and the department in the results obtained on the information contained in Document 105 is the difference in allowance or nonallowance for maximum amount of space for the round trip?

Mr. BRADLEY. So far as the space is concerned; yes, sir.

As to this, Second Assistant Postmaster General Stewart (Hearings, pp. 1014-15) makes the following statement:

The cases covered by Postmaster General Hitchcock's letter are not such cases as are involved in the difference between the results reached by the railroads' committee and the officers of the Post Office Department. \* \* \*

This referred to cases where, because of a difference in the authorization of railway post-office cars in the two directions, a doubt had arisen as to whether under the new plan proposed the railroad companies would receive credit in both directions for the maximum space authorized in either direction. Its purpose was to remove all doubt upon this point and to agree that the rule should be written in the statute in order that it could not be questioned. It was not an admission that the allowances made in Document 105 had been erroneous in such cases.

The claim of the railroads was that the Post Office Department, in compiling its space figures contained in Document No. 105, provided for only the minimum necessities of the postal service, refusing—

to credit the mail service with much of the space thus required by the department, although his figures for the other passenger-train services allowed fully for all such space required by them. In fact, in many cases such space actually required by the mails, and so reported by the railways, was taken from the total mail space, and, without reason, assigned to the passenger service.

(Preliminary report, p. 13.)

The Post Office Department just as positively asserts "that the railroads companies generally reported the space at the maximum of operating conditions, whether warranted by the needs of the mail service or not." (Hearings p. 1017.)

What the Post Office Department did is described from the railroads' viewpoint by Mr. Bradley (Hearings, pp. 405-406) as follows:

The car space devoted to the mails, which the Post Office Department had refused to recognize or accept, had been deliberately transferred to the car space credited to the passenger service, thus changing the relative ratios of one to the other. The explanation of the Postmaster General was based upon a discrimination between car space directly used by the mails, and deemed absolutely necessary, and car space incidentally required in connection with the mails, the latter being denominated "dead space," and thus transferred to the passenger service. The fact is, that it is not dead space, but just as active as any other car space in the trains, and is just as much an attendant feature of the mail service as similar unoccupied space in the passenger or express cars is to those services, and which the railroad companies, of course, charge to either of those services.

What the Post Office Department did, from its viewpoint, may be gathered from the definition of "dead" and "deadhead" space given by Second Assistant Postmaster General Stewart (Hearings, p. 1380), which was as follows:

Speaking generally, and I will say that the record is more specific, dead space as it appears in Document 105, and as the subject of discussion here, is that space in cars reported by the railroad companies and charged to the mail service which the department determined was operated for the convenience of the railroad company without a necessary connection with the mail service, or space operated in excess of the authorization made by the department and operated for the convenience of the railroad company, or operated for some reason for which the department is not

responsible. In some cases it consisted of the operation of a full 60-foot car where the department asked for only 30 feet of space. Sometimes it represented the operation of a car beyond the terminus of an authorized line. In other cases, it represented the operation of a car over a rail line, where no mail service was authorized to be performed, and sometimes it was the operation of an apartment car over a line on Sunday where no railway post-office service was performed on Sunday, although performed on week days. Those cases the department determined were not properly chargeable to the mail service, and the space involved was designated as dead space and charged to the passenger service. Deadhead space is space which was operated by the companies in excess of the immediate needs of the service, but which the department believed the mail service was properly chargeable with as being incidental to the operation of the authorized service, as, for instance, where a 60-foot car was authorized in one direction and a 40-foot car in the opposite direction. If that necessitated the operation of a 60-foot car in each direction, it was thought that the mail service should be charged with the entire space both ways; therefore the additional 20 feet in the return movement was designated as deadhead space and charged to the mail service; that is combined with the mail space but set out separately so that Congress might know what the deadhead space amounted to in its relation to the rest of the service.

In connection with car-foot-mile concessions it may be well to refer to another aspect of the above-mentioned difference between the Post Office Department and the railroads. The department asserted that the railroads were receiving from their mail service a revenue of 4.14 mills per car-foot mile, and from their passenger service 4.16 mills. The railroads claimed that they were receiving 3.23 mills per car-foot mile from mail, and 4.35 mills from their passenger service. (Preliminary report, p. 11.) This discrepancy indicated to the railroads that the Post Office Department had excluded from the mailservice and charged to the passengerserviceso-called dead space, which had no proper application to the latter service. They claimed in effect that if the dead space was to be excluded at all it should have been excluded from both services, so that the relative percentages of cost and revenue would not have been affected. The result of these differences was the creation of a departmental and railroad committee to ascertain whether same could be adjusted. By reference to page 324, of the Hearings, will be found a joint letter signed by the representatives of the respective interests, addressed to the chairman of this joint committee, wherein the earnings per car-foot mile in mail service are stated to be 3.37 mills, and in passenger service 4.34 mills, when dead space was counted as the railroads contended. This letter reads as follows:

MARCH 15, 1913.

HON. JONATHAN BOURNE, Jr.,

*Chairman Joint Committee on Postage on Second-Class Mail*

*Matter and Compensation for the Transportation of Mail,  
Congress of the United States.*

MY DEAR MR. CHAIRMAN: In response to the direction of the joint committee at its session February 12, 1913, the undersigned committees were designated by the Second Assistant Postmaster General and Mr. Ralph Peters, chairman committee on railway mail pay, to represent the Post Office Department and the railroads, respectively, to consider the differences in the statements of revenue per car-foot mile received by the railroads from the mail service and from other passenger train services, as computed by the department and the committee on railway mail pay.

The earnings per car-foot mile from the mail service and other passenger services as stated by the committee on railway mail pay were 3.23 mills for the mail service and 4.25 mills from other passenger services. These figures were computed from the data as reported by the companies represented by the railway mail pay committee and covered 178,716 miles of service.

The earnings per car-foot mile, as stated by the Post Office Department in its memorandum dated January 17, 1913, in reply to the statement of the railroads entitled "Mail carrying railroads underpaid," were 4.14 mills for mail service and 4.16 mills

for other passenger services. These figures were computed from the data as to space reported to the department by companies representing approximately 175,922 miles of service as reclassified by the department.

The differences between the car-foot-mile earnings by the two calculations are due entirely to the fact that the Post Office Department upon receipt of the data as to space from the railroads made certain modifications therein, based upon the space deemed by the Post Office Department to be necessary for its purposes and upon its rules with respect to assigning other space reported by the companies as mail space, which resulted in a reassignment of the car-foot-mile space to the different subdivisions of passenger train service.

A computation made by the Post Office Department from the data reported by the railroads, representing 187,760 miles of service, as actually operated in November, 1909, without any of the changes and modifications which the department deemed necessary and proper to make in preparing Document 105, brings the following results:

	Mills.
Earnings per car-foot mile in mail service.....	3. 37
In other passenger services.....	4. 34

The matter of an inquiry into the cost of construction, operation, and maintenance of railway postal cars, which you also referred to the committee, is being investigated, and upon receipt of certain information asked for from the companies a further report will be made relative thereto.

Yours, very truly,

JOSEPH STEWART,  
C. H. MCBRIDE,  
A. N. PRENTISS,

*Committee Representing the Post Office Department.*

H. E. MACK,  
V. J. BRADLEY,  
H. P. THRALL,

*Committee Representing the Railroads.*

But the Post Office Department did not wish to indicate by this letter the acceptance of the railroad point of view regarding dead space, as will be made plain from the following testimony of Hon. Joseph Stewart, Second Assistant Postmaster General:

The full letter is set forth on page 324 of the hearings. There is nothing in the language used which will justify the conclusions that the Post Office Department's representatives conceded that the space so reported by the railroad companies and unchecked by the Post Office Department as deemed "to be necessary for its purposes and upon its rules with respect to assigning other space reported by the companies as mail space" was the proper space to be used as representing the mail service. The purpose of the letter was merely to state to the chairman the reasons for the difference in the results obtained by the railroads' committee and the Post Office Department. This must be well known to the representatives of the railroads who signed the letter, for the representatives of the department declined to sign any reply until it was so worded as in their opinion would make it perfectly clear that no concession as to the correctness of the railroads' claims of erroneous assignment of space was made in the letter by the department. It is therefore difficult to understand why this statement is made in the brief of the railroads' committee. (Hearings, p. 1014.)

Responding to a request for his views on this subject, Mr. Lorenz said:

I can not see how there can be two opinions. It seems to me just as you can not operate a freight service without hauling empty freight cars, and just as you can not operate passenger service without hauling empty space, you can not operate mail service without hauling empty space, and in comparing the various departments, either on cost or revenue basis, you should include all of the space used and unused which is hauled in connection with that service, and I can not understand, therefore, why on this particular point the Post Office Department should have rejected the dead space from the mails and put it in the passenger service. It seems to me that there they made a clear error. (Hearings, p. 514.)

The question of car space as represented by the so-called "dead" space continued to be a bone of contention between the railroads and Post Office Department to the end of the hearings.

## ALLOWANCE FOR CAPITAL CHARGES.

While the Post Office Department in its letter of January 9, 1913, conceded that amounts, "if any be necessary," should be paid to the railroad company in addition to the operating expenses and taxes apportioned to the mail service, and 6 per cent thereof, as shall render the whole a proper proportion of a fair and reasonable return on the value of the property necessarily employed in connection with the mail service, yet the capitalization claimed by the railroad companies and reported by the Interstate Commerce Commission was never accepted by the department as representing the true capitalization. The department did, however, through its Second Assistant Postmaster General, admit that if a full allowance were made for capital employed in mail service the \$9,000,000 saving would be wiped out. The chairman asked Mr. Stewart the following question (Hearings, p. 8):

The CHAIRMAN. What change would the last suggested bill, printed on page 109 of this blue pamphlet, make on the \$9,000,000 estimated difference in payment to the railroads, as indicated in Document 105? How much, if any, would it decrease that \$9,000,000 difference in pay?

To this Mr. Stewart replied:

Stating from a general impression of the subject—and that is all I have—I should say that it would eliminate the \$9,000,000; that is, if a fair return were allowed the railroad companies upon a fair valuation of the property employed in performing the mail service in addition to the cost of performing it and 6 per cent. The aggregate amount paid to railroad companies now is probably not in excess of what that aggregate amount would be.

## SHORT-LINE RAILROADS.

## TALBOTT BILL.

Representatives of these roads advocated the passage of what is known as the Talbott bill (H. R. 4044, 62d Cong., 1st sess.), set out in full on page 71 of the preliminary report. The provisions of that bill are recommended by Mr. John N. Drake, secretary of the Short-line Railroad Association, in a letter dated December 31, 1912, and addressed to the Senate Committee on Post Offices and Post Roads (preliminary report, p. 25), and again in a letter dated June 10, 1912, addressed to the House Committee on the Post Office and Post Roads (Hearings, p. 830). The Talbott bill proposed four amendments to the present law:

1. That routes carrying their whole length an average weight of mail per day of not more than 500 pounds should receive \$75 per mile per year.
2. That the weighing of the mails should not occur less frequently than once in each year.
3. The discontinuance of the delivery of mails beyond the depot of the railway mail carrier.
4. That the allowance for space used for railway post office purposes in apartment cars should be paid for at pro rata of the rate of compensation allowed for postal cars 40 feet in length.

Representatives of the short-line roads opposed the adoption of any space plan and favored the continuance of the weight basis with the modifications above suggested. A number of short-line railroad representatives appeared and testified before the joint committee on March 16 and 17, 1914, as will appear by reference to pages 1178–1245 of the Hearings.

## BUCKLAND PLAN.

The author of this plan was Mr. E. G. Buckland, vice president of the New York, New Haven & Hartford Railroad Co. He appeared before the committee on February 17, 1913, and submitted a bill. (Hearings, p. 268.) His bill in substance provides that the rates to be paid for the carriage of mail should be on a basis of agreement between the Post Office Department and the railroads, and in case of disagreement the matter should be referred to the Interstate Commerce Commission. Attention is called to this plan particularly for the reason that it provides for making the performance of mail service obligatory upon the railroads. He is the only railroad representative appearing at the hearings who favored a provision of law compelling the railroads to carry the mail. His bill is set out in full on page 939 of the hearings.

## BRIEFS.

It was the hope and expectation of the committee, as announced by the chairman on May 14, 1913 (Hearings, p. 711), that the hearings would close on that date. Contemporaneous requests were made at that time by Hon. Joseph Stewart, Second Assistant Postmaster General, and Mr. Ralph Peters, president of the railroads' committee on railway mail pay, for permission to file briefs for the interests they respectively represented. The request was granted and the hope expressed by the chairman that both briefs would be filed by the 1st of June.

The printing of the hearings of May 14 was delayed, awaiting the anticipated filing of the briefs referred to and the filing of other information requested of the Post Office Department.

## BRIEF SUBMITTED BY RAILROADS.

[Hearings, pp. 720-738. June 26, 1913.]

On June 26, 1913, the railroads submitted their brief in type-written form, the main points of which, briefly stated, were as follows:

1. In so far as House Document No. 105 (62d Cong., 1st sess.) may have seemed to support the allegation that the mail-carrying railways are overpaid in the annual sum of \$9,000,000, or any other sum, that conclusion has now been officially abandoned by the Post Office Department and it has been made plain that, properly understood, that document demonstrates that these railways are actually underpaid.

2. The existing law has never worked to the disadvantage of the Government, but has failed to do justice to the railways by reason of infrequent weighing; absence of pay for nearly 40 per cent of the space occupied as traveling post offices; the performance without pay of side and terminal messenger service; and the unjustifiable reduction in pay by the act of Congress dated March 2, 1907, supplemented by order No. 412 of the Postmaster General, changing the divisor.

3. Mails should be weighed annually.

4. Railways should be paid for apartment cars.

5. Railways should be relieved from the performance of side and terminal services or fairly paid therefor.

6. The weight basis is simple and, with the modifications above suggested, will be fair both to the Government and to the railways.

7. In effect a cost-space basis is impracticable and inequitable.

8. Railroads should not perform the mail service for the Government for less compensation than for a similar service performed for persons other than the Government.

9. Proof is conclusive that the railroads are underpaid not less than \$15,000,000.

The department's brief not having been received, the chairman, on July 9, 1913, addressed the following letter to Hon. Joseph Stewart:

At the last hearing of the joint committee you expressed a desire to file on behalf of the Post Office Department a brief or summary from the department's viewpoint, of the testimony before the joint committee on the subject of railway mail pay. The railroad companies, who at the same time expressed a similar desire, have, through Mr. Ralph Peters, chairman of the committee on railway mail pay, filed their brief, and the printing of volume 5 is now being delayed awaiting the submission of your brief and receipt of two statements referred to in separate letters addressed to you of this date. If an early submission of the brief is not practicable, I shall have to send volume 5 to the printer without its being included, although I would be greatly disappointed if the necessities of the case required the printing of the brief to be postponed for insertion in a pamphlet by itself.

Under date of July 12, 1913, Gen. Stewart replied as follows:

I have to inform you that the matter is being given attention, but, owing to the fact that I am obliged to be absent from the city during the greater part of the remainder of the month, it will not be practicable for me to submit the brief at an early date. I would suggest, therefore, if you deem it necessary that volume 5 of the testimony be promptly published, that the department's brief be published in a separate volume.

The brief referred to was not filed with the joint committee until January 21, 1914.

On March 11, 1913, the Post Office Department was requested to submit a statement respecting differences between services rendered to the department by the railroad companies in the performance of mail service and services rendered to the express companies.

On March 21, 1913, a bill relative to electric car lines, prepared by Mr. Henry C. Lyons, secretary of the Boston Elevated Railway Co., and submitted by him to the joint committee on behalf of the American Electric Railway Association, was presented to the Post Office Department by the chairman of the joint committee with the request that it prepare, at the earliest opportunity, such criticisms or suggestions as it might have to make in regard thereto, for submission to the joint committee.

Neither of the two last-mentioned statements was furnished until July 25, 1913. These statements appear in the Hearings, pages 745 and 780, respectively.

There being no immediate prospects of the department's brief being filed, the subject matter of the hearings of May 14, 1913, including the railroads' brief was, on August 22, 1913, sent to the printer for final print, and same was received on August 25, 1913, and distribution of the completed volume promptly made to Members of Congress, members of the committee, officials of the Post Office Department, and others.

In addition to the letter of the chairman of July 9, 1913, already referred to, and telephonic inquiries made in the interim, the chairman addressed the following letter to Hon. Joseph Stewart, dated December 11, 1913:

Referring to the hearings of February 12, 1913, volume 1, pages 221 and 222:

I would like to inquire when the joint committee may expect a report relative to railway post-office cars.

I would also like to inquire when the joint committee may expect to receive the brief in review of the testimony taken before us which, on page 711 of volume 5 of the hearings, you asked permission to file on behalf of the Post Office Department? As indicated in my letter of July 9, 1913, I was greatly disappointed that your brief was not ready for submission so that it might have been printed contemporaneously with the brief submitted by the railroads, appearing in volume 5, pages 720 to 736.

Necessity for an early submission of the report and brief above referred to is apparent, and I wish you would therefore advise me promptly upon receipt of this letter when I may expect same.

Under date of December 13, 1913, Gen. Stewart replied as follows:

I have your favor inquiring regarding the report as to cars and the brief on behalf of the department.

I am now, and have been for some time past, engaged upon annual reports, committee hearings, and the preparation of the brief in the Court of Claims in the divisor case, which is to be reheard. However, the hearings have closed and annual reports are substantially finished. On account of the great urgency of the matter and agreements between the Department of Justice and the attorneys for the railroads, I am compelled to give precedence at present to the divisor case. I hope in a few days to have this off my hands, and after that the railroad matters have the right of way. I am expecting to get the report on cars to you in a few days and the brief for the department as soon thereafter as it is possible to put it into shape.

The department's brief was finally received in typewritten form on January 21, 1914, immediately printed, and on January 24, 1914, distributed to Members of Congress.

#### REPORTS OF M. O. LORENZ AND R. H. TURNER.

[Hearings, pp. 849-968.]

Between the hearing of May 14, 1913, and the filing of the department's brief, Mr. M. O. Lorenz,<sup>1</sup> associate statistician of the Interstate Commerce Commission, and Mr. R. H. Turner, secretary of the joint congressional committee, at the request of the chairman, reviewed the testimony and filed written reports. The report of the former is of a statistical nature and contains recommendations for change in the basis of pay, while that of the latter is a résumé of the testimony taken before the joint committee. Their respective reports may be found in the Hearings, pages 849 to 897 and 899 to 968.

#### MR. LORENZ'S REPORT.

[Hearings, pp. 849-897.]

Mr. Lorenz submitted what he denominated a "weight-space and distance" basis bill. He recommended a combination initial and terminal charge for each one-way trip of a 60-foot car or equivalent thereof varying from \$3 for weight under 1 ton to \$5.50 for 10 to 11 tons. In addition, he recommended a distance charge for each mile run per 60-foot car or equivalent thereof varying from 20.20 cents up to a maximum of 23.54 cents. In both the initial and terminal and the distance rates he provided for a higher charge for additional weight carried. He recommended quadrennial weighings to serve as a check on the space furnished as well as to ascertain the average load per car on which to determine the proper rate to be applied. The combination of terminal and distance charges recognizes the principles that rates per mile should vary with the length of the haul. His rate table was so constructed that a higher average rate per car mile would be paid to the shorter line railroads than to the longer mileage railroads.

His conclusion regarding the average rate to be allowed was as follows:

Taking into account the maximum deduction of 10 per cent from the average passenger-train car-mile earnings of 25.4 cents referred to above, the writer has concluded that 22½ cents would probably not constitute an overpayment on the commercial principle, side and terminal services not being included. This would be an increase of certainly more than 10 per cent, but the per cent of increase can not be stated definitely until further compilations are made by the Post Office Department.

<sup>1</sup> At the request of the joint committee, Mr. Lorenz was given leave of absence without pay from the Interstate Commerce Commission from July 28 to Sept. 30, 1913, for the purpose of assisting the committee in an analysis of the testimony.

This is without reference to possible economies in loading. It may be said that a conclusion involving such a large sum annually must receive a thorough test, and in any case, even if we were convinced as to the soundness of the conclusion, it would be unwise to recommend a complete correction of the underpayment in a single year. Although the mail traffic is no immediate burden to the railroads at the present rate of pay, the payment being easily sufficient to cover current outlays on account of the mail for the roads as a whole, yet if we accept the principle that the mail service should bear its proportion of capital charges—in other words, that it should stand the cost of borrowing the capital which it utilizes—we can not escape the conclusion that the mail-pay adjustment must be in the direction of an increase. For these reasons the rate of 22½ cents per car-mile has been chosen for the average haul in constructing the rate table on page 873. If the railroads think it too low, they are given in the suggested bill an opportunity of convincing the Interstate Commerce Commission of that fact. Similarly, the Postmaster General would have the opportunity of protesting against it, if he thought it too high. If it be deemed unsafe for even a single year, a maximum amount to be disbursed could be specified. (Hearings, p. 894.)

Subsequently he indicated at the hearings (p. 1451) that the elimination of weight would so greatly simplify the administration of the law that this elimination was perhaps justified, even though it involved an element of injustice.

#### MR. TURNER'S REPORT.

(Hearings, pp. 399-968.)

Mr. Turner's report was mainly a summary of the testimony taken before the committee up to and including the hearing of May 14, printed in volume 6.

He gave a sketch of the work of this joint committee, as well as of earlier committees or commissions, and explained fully the method of calculating mail pay under existing law (p. 906). He summarized the various suggested plans for amending the existing law, and discussed the proposal for Government ownership of railway post-office cars. Mr. Turner, from his study of the testimony, expressed it as his opinion that the railways were greatly underpaid, and that the space basis should be adopted, with a tentative rate of 25 cents per car mile, the rate to be subsequently adjusted by the Interstate Commerce Commission.

#### POST OFFICE DEPARTMENT'S BRIEF.

(Jan. 16, 1914, Hearings, pp. 987-1049.)

Although the Post Office Department on May 14, 1913, requested and was granted permission to file a brief, as already indicated, its brief was not filed until January 21, 1914.

In its brief the department described with particularity its method of procedure in compiling the data contained in Document No. 105; it attempted to refute the claim of the railroads as to underpayment; denied in effect that it made any admission whatever, either directly or indirectly, as to the true railroad capitalization, and with reference to the question of overpay or underpay the conclusion was reached that the railroads for the fiscal year 1910 received for transportation and railway post-office cars combined \$1,616,532 over apportioned cost and capital charges, as against \$9,000,000 in Document No. 105, which excluded capital charges. For the year ending June 30, 1913, the overpay was given as \$319,832. (Hearings, p. 996.)

The department reiterated its position as announced by Second Assistant Postmaster General Stewart (Hearings, pp. 656-657) with reference to what should be the proper gauge of determining the compensation the railroads should receive for carrying the mails.

Here the doctrine of "public utility" was announced as an important factor, the report of Prof. Henry C. Adams to the Wolcott-Loud Commission, 1901, being the main reliance and authority for its presentation. Because of the—

1. Certainty, constancy and homogeneity of traffic;
2. The certainty and regularity of payment;
3. Railroads are not built primarily to carry mails;
4. The protection to their mail trains which railroads, as Government agencies, receive against unlawful acts in interference with or obstruction of the mails carried; and
5. The principle of public utility—

it was suggested that a reasonable rate to the railroads might be one materially below a commercial rate.

This brief took exception to the claims of the railroads with reference to dead space; stated that Mr. Turner's summary of the evidence in that respect and his deductions therefrom were erroneous in that—

he did not have in mind the instructions which governed the tabulation in accordance with which the railroad companies received credit for extra space in railway post-office cars where such operation was made necessary by the mail service, and could not have been aware of the fact that the larger part of dead space represented railroad operations for the convenience of the railroad companies and only indirectly incidental to the mail service. (Hearings, p. 1015.)

It defended the department's method of apportioning unassignable expenses between freight and passenger services; it took exception to the railroads' claim that they should have annual weighings of the mail in order that they might be more adequately compensated for the service performed; also to their claim that they should be relieved of or compensated for the performance of side and terminal service, and receive pay for their apartment-car service in addition to the weight carried. The position of the department was not so much that the railroads should not receive pay for those respective services, but rather that they were receiving an aggregate compensation for the rendition of mail service sufficient to cover the expense of same and therefore such services should not be specifically paid for.

The brief defends the so-called divisor order No. 412 and takes exception to the railroads' claim as to its illegality as expressed frequently in the hearings, and in their brief of June 26, 1913 (p. 726); also to what was said by Mr. Turner in his report, particularly on page 958 thereof, sustaining the view of the railroads that the order was made without authority of law.

This order, briefly described, was one requiring that the whole number of days included in the weighing period shall be used as a divisor for obtaining the average weights per day, instead of successive working days, excluding Sundays as heretofore. The railroads regarded this order as having been made without authority of law, and against the express desire of Congress, as indicated by its nonaction when the matter was before it. The railroads' attitude with reference to this order is stated by Mr. Newcomb, statistician for the railroads' committee in railway mail pay (p. 99 of the Hearings) which is as follows:

It is well known that the reduction imposed by the act of March 2, 1907, was adopted as a substitute for the reduction which would have resulted had Congress, by its statutory enactment, required the whole number of days of the weighing period (including Sundays), instead of the number of week days or "working days" in that

period, to be used as the divisor in determining the average daily weight fixing the basis of payment for each railway route. Both proposals were submitted to Congress, both were fully considered, and throughout this consideration they were regarded as alternatives; it was never by anyone contemplated or suggested that more than one of them should be adopted. After full consideration Congress adopted the former alternative and rejected the latter. Notwithstanding this decision of Congress, the Postmaster General then in office, on the very day that the alternative reduction received the signature of the President—that is to say, on March 2, 1907—but not until the legislative act had passed beyond control of Congress, entered an order, known as "Order No. 165," which read as follows:

"That when the weight of mail is taken on railroad routes the whole number of days the mails are weighed shall be used as a divisor for obtaining the average weight per day."

Three months later, another Postmaster General having come into office, the foregoing was rescinded and the following substituted:

"That when the weight of mail is taken on railroad routes the whole number of days included in the weighing period shall be used as a divisor for obtaining the average weight per day."

The brief defended the department's space-cost basis as announced in Document No. 105 and modified by its letter of January 9, 1913.

On the whole, the brief simply reemphasized the differences that have existed between the railroads and the Post Office Department from the beginning of this inquiry. The department's brief developed nothing that had not already been before the committee, except that its doctrine of public utility was stated with more particularity, and further, that it had reduced its claim of overpay to the railroads from \$9,000,000 to \$1,616,532 as of 1910 and \$319,832 as of 1913, respectively.

### EXECUTIVE SESSIONS.

[January 20 and February 2 and 3, 1914.]

On January 20, 1914, the committee held its first executive session. At this meeting Hon. Joseph Stewart and assistants, Messrs. C. H. McBride and A. N. Prentiss, and Mr. M. O. Lorenz were present. The purpose of the meeting was to arrive at some basis on which a definite conclusion could be reached in the inquiry with which we were charged.

On February 2 and 3 executive sessions were again held, at which the same officials were invited to be present. At these meetings the plan of Mr. Lorenz, as presented in Hearings, pages 868-876, among other things, was discussed. The department finally presented a tentative draft of a bill for the committee's consideration, adopting an initial and terminal charge and a line charge basis as recommended by Mr. Lorenz, but differing in other provisions from Mr. Lorenz's plan. The rates he suggested were considerably reduced.

### DEPARTMENT'S THIRD PLAN.

#### A TENTATIVE DRAFT OF SUGGESTIONS FOR RECOMMENDATION FOR LEGISLATION AND REGULATION OF RAILROAD MAIL SERVICE AND COMPENSATION THEREFOR.

[Hearings, Feb. 12, 1914, pp. 1051-1062.]

On February 12, 1914, the Post Office Department formally submitted its bill entitled as above, together with an explanatory statement of same. The bill contains 43 paragraphs or sections. While the sections of the bill are not numbered, they will, for convenience

and identification, be numbered from 1 to 43, only those sections containing what are regarded as salient features being commented upon.

Section 1 (p. 1057) authorizes a readjustment of compensation.

Section 2 (p. 1057) authorizes a restatement of railway mail routes in such manner as the Postmaster General may deem proper.

Sections 3, 4, 5, and 6 (p. 1057) provide for a departure from the present weight basis and the substitution of a space basis, the units upon which compensation is to be determined being the full R. P. O. car, the apartment car, and storage car, closed-pouch service, and side, terminal, and transfer mail service. Four standard sizes of full railway post-office cars, five standard sizes of apartment cars, and four of storage cars are provided for, and not more than 40 feet of storage space may be authorized in baggage cars on trains upon which full railway post-office cars or apartment cars are not operated.

Sections 7 and 28 (pp. 1057 and 1060-1061) require the railroads to carry all employees of the Post Office Department free when directed by the Postmaster General so to do. This is now being done by regulation, the law only requiring free transportation for employees in charge of the mails.

Sections 10, 11, 12, 13, 14, 15, and 16 (pp. 1057 and 1058) prescribe maximum rates for the various classes of service, namely: Railway post-office, apartment and storage cars, and for the respective services in addition, and initial and terminal rate, which are also maximum and not fixed rates. Lower maximum rates are also provided where wooden rather than steel cars are furnished.

Section 17 (p. 1058) provides that closed-pouch mail service shall be paid for on a basis of weight.

Section 18 (p. 1058-1059) relieves the railroads from side and terminal service; and gives the Postmaster General, in his discretion, the power to employ mail messengers under existing law or after advertisement to contract with either the railroads or with third and fourth class postmasters for such service.

Section 19 (p. 1059) provides that land-grant-aided railroads shall receive only 80 per cent of the rates that nonland-grant railroads receive, which is simply a restatement of the present law. Such railroads, however, are relieved of side, terminal, and transfer mail service.

Section 20 (p. 1059) defines initial and terminal rates. For that part of the rate covering loading and unloading the amount to be paid shall not exceed 12 cents a ton, and for the remainder of the rate covering lighting, switching, etc., there shall be a variation in the amount to be paid based on cost of construction and maintenance of R. P. O. apartment and storage cars.

Section 21 (p. 1059) authorizes an annual weighing of closed pouch mail and requires that the whole number of days included in the weighing period shall be used as a divisor.

Sections 22 and 23 (p. 1059) provide that the maximum space in either direction shall be regarded as the space necessary in both directions. These sections are applicable to railway post-office, apartment, and storage cars, the last named, however, being subject to the qualification that no compensation is to be paid where the railroad company makes use of the car on the return movement.

Section 24 (pp. 1059-1060). New and additional service may be authorized at maximum rates, and service may be reduced or discontinued with pro rata reductions in pay.

Section 25 (p. 1060) gives the Postmaster General, in cases of emergency, authority to contract for cars other than steel or steel under-frame within the maximum rate, due consideration in the amount paid being given to inferior construction of the car.

Section 26 (p. 1060) provides that—

service over property owned and controlled by another company or a terminal company shall be considered service of the railroad company using such property, and not that of the other or terminal company.

Section 27 (p. 1060) requires all railroads carrying the mails to furnish all necessary facilities for caring for and handling same while in their custody; to place cars or parts of cars at stations before departure of trains; to provide station space and rooms for handling, distribution, and transfer of mails in transit, and for offices and rooms for the employees of the Postal Service engaged in such transportation when required by the Postmaster General.

Section 29 (p. 1061) empowers the Postmaster General to fine the railroads such sum as he may deem proper for failure to provide cars, etc., and maintain them. The present law prescribes a penalty of 10 per cent reduction of the rates paid.

Section 30 (p. 1061) empowers the Postmaster General to fine the railroads in such sum as he may deem proper for their failure to transport the mails. The present law fixes the penalty for such failure at 50 per cent reduction of the rates paid.

Section 31 (p. 1061) authorizes reductions in pay where there is a reduction in service or frequency of service; also authorizes imposition of fines, limited to the value of the service not performed and not exceeding three times its value if the failure be occasioned by the fault of the railroad company.

Section 32 (p. 1061) makes proposed law applicable to service partly by railroad and partly by steamboat.

Section 33 (p. 1061) excludes from the provisions of the act mails conveyed under special arrangement in freight trains at rates not exceeding those approved by the Interstate Commerce Commission.

Section 34 (p. 1061) requires railroad companies to submit under oath when and in such forms as may be required by the Postmaster General evidence as to the performance of service.

Section 35 (p. 1061) authorizes the Postmaster General to have such weights of mail taken and ascertainment of needed space made when deemed by him necessary and makes provision for the payment of expenses thereby incurred.

Section 36 (p. 1061) requires the Interstate Commerce Commission to report to the Postmaster General the revenue received by railroad companies from express companies for service rendered in the transportation of express matter and authorizes the Postmaster General to fix rates not exceeding those so reported, and makes it the duty of railroad companies to carry mail matter other than that of the first class at rates so fixed by the Postmaster General.

Section 37 (p. 1062) confers power on the Interstate Commerce Commission to make rates on fourth-class matter and periodicals and authorizes the Postmaster General to arrange for transportation of such mail at rates so fixed.

Section 38 (p. 1062) authorizes Postmaster General to distinguish between and arrange for less frequent dispatches of mail matter of the third and fourth classes wherever he can effect economies.

Section 39 (p. 1062) authorizes the Postmaster General to return to the mails, for the utilization of car space paid for and not needed for the mails, postal equipment and supplies theretofore withdrawn from the mails and transported by freight or express.

Section 40 (p. 1062) authorizes Postmaster General to return to the mails in cases of emergency post-office supplies mentioned in the preceding section, but requires him to pay regular rates where additional space is required.

Section 41 (p. 1062) authorizes Postmaster General to take weights of mail for statistical purposes.

Section 42 (p. 1062) compels the railroads to perform mail service not on a basis of contract but upon the mandatory direction of Congress.

The provisions of the department's third suggested plan are set forth in full on pages 73-77 of this report.

#### HEARINGS REOPENED.

In view of the railroads' continued objections to the inauguration of any space plan and their insistence upon the present weight basis, with the modifications heretofore referred to; the different views expressed on the question of underpay or overpay; and finally the Post Office Department's abandonment of the plan recommended in Document No. 105, as well as its subsequently modified plan, and the substitution of a new plan (Hearings, p. 1057), the hearings were reopened, and on February 26, 1914, the railroads replied to the statement of the department.

#### RAILROADS' REPLY BRIEF.

[Hearings, February 26, 1914, p. 1063.]

The railroads reaffirmed the position taken by them in their first brief (Hearings, p. 721); called attention to the incompleteness and inaccuracy of Document No. 105, assailing the integrity of the document itself in that it did not publish the items of revenue received by the railroad companies from passenger or express business so that Congress could make a comparison between these and the revenue from mail transportation; that there was no publication of the expenses at railroad stations or of terminal service, or of personal transportation of officers and employees of the Post Office Department, although this information was furnished to the Postmaster General; that there was no statement of the full extent of the car space as originally reported by the railroad companies as being devoted to passenger, mail, and express services. While stating that they did not report any "dead space" whatever, they insisted that if they were expected to report "dead space" in the mail service they should also have been called upon to report "dead space" in the passenger and express services, in which the proportion is greater. They reiterated that they were underpaid approximately \$15,000,000, which underpayment was not shown by Document 105 mainly for two reasons:

(1) That the Post Office Department applied incorrect ratios in the division of railroad operating expenses, and

(2) Failure to apply the correct percentage of car space to be charged against the passenger service.

They also asserted that a strictly commercial rate should be the gauge of railroad mail pay, taking a strong issue with the Post Office Department in its advocacy of the doctrine of public utility.

### RAILROAD COMPANIES OPPOSE THE POST OFFICE DEPARTMENT'S THIRD SUGGESTED PLAN.

[Hearings, March 16, 1914, pp. 1112-1245.]

The railroads, in their testimony, were unanimous in their opposition to the proposed bill of the department. They were opposed to it because, as expressed by Mr. H. E. Mack, mail-traffic manager of the Missouri Pacific Railway Co. (Hearings, p. 1123), "space as a main factor to fix mail pay is fundamentally wrong, because the volume of mail does not automatically determine the space required in its transportation"; also, that the "relationship with the Post Office Department would be unsatisfactory upon that basis," and that there should be "a definite basis for the transportation service rendered"—namely, "weight with the object of transportation itself fixing and determining the exact volume of transportation service rendered and which is free of any element of opinion or judgment in the transaction."

Their main points of objection to the department's proposed bill were as follows:

- (1) That the space basis is fundamentally wrong.
- (2) That such a basis is not administrable.
- (3) That it leaves too much discretion to administrative officers.
- (4) That its provisions are indefinite and uncertain.
- (5) That the promulgation of the plan evinces a purpose on the part of the Post Office Department to reduce railway mail pay.
6. That it empowers the Postmaster General to pay the railroads at rates "not exceeding" those stated in the bill.

### POST OFFICE DEPARTMENT'S REPLY TO THE RAILROADS.

[Hearings, pp. 1247-1317, Mar. 24, 1914.]

The department here reiterated its claim that the railroads were overpaid; defended its treatment of dead space; reaffirmed its position that the railroads shall receive less than a commercial rate for carrying the mails; asserted that the claims of the railroads' committee for annual weighings and for apartment car pay had no merit, because the existing rates of pay were ample to cover the increase in weights during the four-year period and to compensate, on the average, for space in apartment cars as well as in full cars.

A prominent feature of this brief was a statement showing a comparison between revenues received by railroad companies for express and mail services. It presented two tables:

- (1) A comparison of actual first-class express rates per 100 pounds between representative points; the actual average rates of pay per 100 pounds weight of mails to the railroad companies operating railroad mail routes between such points; 50 per cent of the express rates, respectively, the amounts assumed as received by the railroad

companies for the service; and the excess of the mail rate over 50 per cent of the express rate, or the reverse where it exists. (Hearings, pp. 1272-41.)

(2) A similar comparison between the same points on a 40-pound package. (Hearings, pp. 1275-1277.)

The Post Office Department's interpretation of these tables is as follows (Hearings, p. 1277):

In most cases the revenue received by the railroad companies for the carriage of 100 pounds and 40 pounds of mail matter between the points named is in excess of the revenue received from the express companies for the carriage of express packages of 100 pounds and 40 pounds, respectively, between the same points. The differences in the rates varied considerably, but in a majority of cases the excess of the mail rate over the compensation for the express is material.

The mail rates mentioned in the tables referred to are for transportation alone and do not include revenue received by the railroad companies for railway post-office cars operated over the routes.

The department figured that if railroad revenues from mail were computed on their estimated ton-mile revenue from express and translated into pay based on space, the Government would have to pay \$46,494,978.58, on a basis of earnings prior to February 1, 1914, but that this figure would be perhaps 16 per cent less under the new express rates; that is, it would be changed to \$39,055,782.01.

In a footnote, page 1279, the Post Office Department gave the revenue from express per car-foot mile as 3.56278 plus mills, or 21.37668 cents per 60-foot car mile as against its figures (Hearings, p. 1008) of 3.865 mills per car-foot mile or 23.19 cents per 60-foot car mile.

The Post Office Department stated, in a letter dated May 28, 1914, that the express revenue per 60-foot car mile was 22.647 cents as of the year ending June 30, 1910, and 23.088 cents as of November, 1909. It was stated, however, that the department had no means of checking the revenues for November, 1909.

#### FINAL HEARINGS.

[Apr. 1, 2, and 3, 1914, pp. 1319-1554.]

Hearings before the committee were closed on the dates above mentioned. The railroads, through Mr. Ralph Peters, chairman of the railroads' committee on railway mail pay, submitted their final brief. The salient features discussed in these three days' hearings were:

- (1) The application made by the department of its express figures;
- (2) Authorizations of car service by the Post Office Department;
- (3) Dead space; and
- (4) Overpay or underpay.

#### (1) EXPRESS.

The railroads deny that they are receiving more from mail than express if a comparison is made on a proper basis. In a discussion of relative earnings from mail and express, Mr. James Peabody, of the Atchison, Topeka & Santa Fe, makes the following statement:

I think Mr. Stewart's assumption is that the railroads are satisfied with their receipts from the express companies. I think he has overlooked the fact that the rates which he has quoted are rates compelled by law. So far as that is concerned, under the decision the railroads were not allowed to intervene and present their case, and further,

I doubt if there is a railroad company in the United States that would renew its contract to-day on the basis of the present contract. I will say, so far as the Santa Fe is concerned, we will not renew our contracts in 1916 at any such rate as 55 per cent. (Hearings, p. 1315.)

With reference to the Post Office Department's express figures, the chairman addressed the following question to Mr. Stewart (Hearings, p. 1316):

The CHAIRMAN. From the presentation that you have made relative to the express charges, what conclusions have you come to in your own mind as to their application to the question we have under consideration—railway mail pay?

Mr. STEWART. I think they have an application that is very direct. I think they prove without any question whatever that the rates that have been suggested by the department are not too low. I have serious doubt in my mind whether those rates are not too high in view of the facts we have presented in regard to express revenues to the railroad companies.

The railroads in controverting the department's position with reference to the application of its express figures, submitted tables—

based on the first 15 examples quoted by the department in its 100-pound table on page 1272, and show on successive lines the rate which the department has worked out for each package of 100 pounds in weight in comparison with what the rate would be if it were based upon 100 1-pound packages. The ton mileage in both cases would be the same.

Based on 100 1-pound packages it was stated that the railroads would receive a higher revenue from their express traffic than from their mail traffic, ranging from 309 per cent to 3,520 per cent; on 40 1-pound packages the earning from express would be greater, ranging from 311 per cent to 3,400 per cent.

According to the railroads' contention the Post Office Department made its comparison on minimum earnings, and in order to show the unfairness of the department's position they have taken their maximum earnings as a test for the comparison. They think the proper test would be between the two extremes.

On page 1354 of the Hearings, Mr. Peabody, of the Santa Fe system, says:

The revenue which we get for carrying 100 pounds of express is not based upon a rate on 100 pounds, but based upon a rate on the various packages constituting 100 pounds.

The railroads, however, contented themselves with criticisms which were intended to throw doubt on the department's conclusions, asserting that its new express data had been introduced so late in the hearings that it was not possible to make a satisfactory comparison (p. 1335).

## (2) AUTHORIZATIONS OF CAR SERVICE.

The controversies on this subject will perhaps be made clear by the following inquiry propounded by Mr. Lloyd to Mr. Stewart (Hearings, p. 1427):

Now, let us see if we understand each other, because this, it seems to me, is vital, and that is the difference between you people, as I understand. If a car actually starts at St. Louis and goes to the Mexican border and returns to St. Louis, as demanded by you, as I understand this law, the car has made a round trip where to? Not on a route, but on several routes. It has made a run from St. Louis to the Mexican border and return, and that is the round trip of that car. If that is the round trip of that car and at any place on the journey, according to your proposed law, you authorize the use of a 60-foot space, you must pay for that 60-foot space the whole distance, outgoing and incoming. Is that right?

To this Mr. Stewart replied:

Hardly right. That would leave the control of the space for which the department should pay entirely to the railroad. If you are going to combine a through car run over several routes and compel the department to pay for the maximum needed on any route it gives the company the opportunity to run one size car out to fill these several authorizations. That will not be fair to the department. (Hearings, pp. 1427-8.)

The discussion showed that it was very difficult to state in a law a definite principle which would control the length of run for which authorizations of various size cars or apartments were to be made. According to the view of the Post Office Department this should be left entirely to the discretion of the Postmaster General, but the railroad companies were anxious that some restriction should be placed upon arbitrary changes in authorizations which would compel them to haul full cars when only fractions of cars were authorized for a portion of a run of the train.

### (3) DEAD SPACE.

The significance of this was clearly indicated by the following question propounded by Mr. Lorenz to Mr. Stewart:

Since the department insists on taking this position, I would like to ask Gen. Stewart if he could operate the Missouri Pacific and furnish the space the department has asked for in various length apartments and not have any of this dead space, so-called, left over, or whether any officer—the most efficient operating officer in the United States—could operate the Missouri Pacific and not have any dead space left over? (Hearings, p. 1499.)

To this question Mr. Stewart replied as follows:

Mr. STEWART. That would be pretty difficult to answer offhand. If you apply it to a specific case, like that from Kansas City to Pueblo, such as you were discussing when we came in, I should say yes.

Mr. LORENZ. I will admit there are individual cases, but I said where there is none of the dead space.

Mr. STEWART. I would not be able to say that it could be done. (Hearings, p. 1499.)

On page 1378 of the hearings Mr. Bradley makes the following statement:

I would like to suggest in regard to the computation of car mileage as of November 30, 1913, I think that it is quite likely that it would be difficult for the department to make a satisfactory estimate, because of the inability to get a correct record of the storage car movement, especially the additional storage car movement, without actually going to the companies or to the Railway Mail Service and having the records kept. There has been a great growth in that class of service, largely due to the growth of the parcel post. If the computation was made from the railway post-office schedule made in the Railway Mail Service that is supposed to report the usual conditions, I do not think that an accurate estimate could be obtained.

To this Mr. Stewart replied:

We differ from Mr. Bradley on that. Furthermore, we would hardly take the chance of making a mistake on these figures without safeguarding ourselves in every way, inasmuch as we are dependent upon them for our judgment as to the effect of these rates proposed in the suggested bill. (Hearings, p. 1378.)

On page 1497 Mr. Stewart says:

For storage space we have taken one-half of the return movement, because we have no statistics as to what proportion of the storage cars are used by the companies on their return trip, and nothing has been presented by the railroad companies which would be any guide.

## (4) OVERPAY OR UNDERPAY.

With reference to express earnings Mr. Stewart, page 1509, says:

When it is shown that if we paid the railroad companies for mail service on approximately the same basis as express service, the amount would have been \$39,000,000 in 1913 instead of \$51,000,000. I think that fact alone is the most potent single one that has been developed in this inquiry. I have said, however, because I want to be absolutely fair from all points of view, that there are differences between the two services, and those differences should be accounted for and carefully appraised in the consideration of these express statistics. I have myself tried to locate those differences and get a fair appraisal of them. The best that I could do was to submit an appraisal here of approximately \$1,000,000.

Then the following colloquy occurred between the chairman and Mr. Stewart (Hearings, p. 1510):

The CHAIRMAN. Then am I to understand you would add \$1,000,000 to \$39,000,000 and pay to the railroads \$40,000,000 instead of \$51,000,000. Is that your conclusion?

Mr. STEWART. No; I think the conclusion will have to be made by the joint committee.

The CHAIRMAN. I understand that perfectly well, so far as the report of the joint committee is concerned, but I am asking for your individual deduction. I understand you to say there was a difference of a million dollars, according to the figures submitted by you day before yesterday, also in the evidence just submitted you have stated that the railroads would have received \$39,000,000 instead of \$51,000,000 that they are receiving to-day, and I want to know where that million dollars comes in.

Mr. STEWART. The million dollars that I mentioned is the best information as to the value of those particular differences between the two services that I could locate, and I submitted the statement in detail in the record.

And, again, on page 1511 the chairman says:

The natural conclusion in my mind from these statements would be that you conclude that the railroads should receive \$40,000,000 instead of \$51,000,000 which they receive to-day for railway mail pay. I wanted to elucidate and see whether I caught your conclusion?

Mr. STEWART. Your deduction is right so far as the figures are concerned for a comparison between the two different rates. At no time have I said I think you ought to reduce the railway mail pay to that extent.

With reference to the general questions of underpay and overpay the chairman and Mr. Lloyd made the following interrogatories of Mr. Stewart (Hearings, p. 1511):

The CHAIRMAN. Under the relative presentation that you have made as to the difference between actual railway mail pay and express pay, under the new rate put into operation by the Interstate Commerce Commission, what conclusion have you come to in your own mind, if any, as to the difference between railway mail pay and express pay that the Government should pay for railway mail pay or how much weight should you give in your determination to the railway mail pay regarding the express pay?

Mr. STEWART. I would give this weight to it, that I would not increase the rates which we have suggested here.

Mr. LLOYD. In that connection have you ascertained definitely to your own satisfaction, whether the proposed rates under the new space plan which you suggest will add to or take from the amount of pay that is received by the railroad companies for carrying the mails?

Mr. STEWART. We have made an estimate for 1913 which would indicate that the application of the proposed rates would make a reduction in the pay for 1913 of something over \$2,000,000. I do not remember the exact figures.

On pages 1516-1518 of the hearings will be found the following colloquy between the chairman and Mr. Stewart:

The CHAIRMAN. Gen. Stewart, I would like to see whether I have a correct understanding. As I understand your conclusions with reference to overpay by the Government to the railroads, they are based entirely upon the ascertainment set forth in Document 105. Is that true?

Mr. STEWART. Yes, Senator; inasmuch as that is the only thing before us, it is the only ascertainment that has been made.

\* \* \* \* \*

The CHAIRMAN. Document 105 was the result of inquiries for the month of November, 1909, made by the department upon the railroads, and the tables were prepared by the department from the answers to those questions. That is true, is it?

Mr. STEWART. No. I could not say that that is true. If I answered that "yes," it would not be correct, and if I answered it "no," it would not be correct. We have explained a number of times that the railroad companies reported more space than we could accept, and, therefore, it is not based primarily on what they reported to us. It is based upon the reports of the railroad companies as properly revised by the department to represent the space needed and used.

The CHAIRMAN. Then that comes to what I want to get at. Then the correctness of the deductions in reference to overpayment depends upon the correctness of the apportionment of tables prepared by the department upon the information submitted by the railroads in reply to inquiries submitted by the Government to the railroads. Is that correct?

Mr. STEWART. That is substantially correct.

The CHAIRMAN. Then the difference in dead space, the allotment between the department and the railroads is the crucial test as to the correctness of the deductions in reference to the question of overpay or underpay. Is that true?

Mr. STEWART. That, I think, represents the material point of difference between the railroads and the department.

The CHAIRMAN. That is the key to the problem of correctness of the dead-space apportionment, the key to the main factor?

Mr. STEWART. I think so, in so far as Document 105 is concerned.

The CHAIRMAN. So far as the conclusions in reference to the underpay or overpay, if the conclusions are based solely upon the ascertainment and information, that being all available as contained in Document 105.

Mr. STEWART. You are referring, of course, to Document 105 as shown, without reference to anything else that has been submitted to the commission, the consideration of express rates, etc.?

The CHAIRMAN. I am, so far as the overpay or underpay is concerned; that is, so far as your own conclusions are concerned.

Mr. STEWART. And without regard to any consideration of the special items I have submitted here which might be taken into account?

The CHAIRMAN. I am not asserting anything, but I am trying to put interrogatories to follow out your line and see how your thoughts appeal to my mind.

Mr. STEWART. To make my answer complete to your question, which is very comprehensive, I would have to insert at this point in the record all the things I have said which I think the commission should take into consideration, not solely those presented in Document 105, but all the other considerations as to whether the railroads were overpaid or underpaid.

The CHAIRMAN. And you have come to a conclusion, as I understand it, that the railroads have been overpaid, and the testimony will show specific statements to the effect, if my memory serves me rightly. What value do you give to Document 105 ascertainment?

Mr. STEWART. I gave primary value to that. All these other considerations that I have mentioned simply accentuate the conditions shown by Document 105. For instance, when I say that Document 105, taken on its face, shows more revenue received than expenses fairly apportioned to the mail service, that is subject again to the criticism that I myself make against the plan, to the effect that it proceeds upon a most liberal plan of apportionment, which I pointed out this morning.

The CHAIRMAN. I was not discussing the plan at all, but simply the conclusion or conviction in your own mind with reference to overpay or underpay, which is one of the phases of the study, and that your conclusions, which are definite, according to the testimony, are based primarily and, as I understood you, almost entirely upon Document 105 ascertainment.

Mr. STEWART. So far as the specific figures are concerned which we have submitted, that is true.

The chairman pursued the inquiry further by asking the following questions of Mr. Lorenz (Hearings, pp. 1518-1519):

The CHAIRMAN. Dr. Lorenz, you have read all of the evidence that has been submitted at the various hearings and have for a period of over two months devoted your time exclusively to a special study of this subject, and intermittently it has had your consideration for over a year. Now, outside of the information contained

in Document 105 and other viewpoints submitted in the evidence, are there any other facts or additional information that occur to your mind that it would be wise to consider in our study of this subject?

To this Mr. Lorenz replied as follows:

It seems to me that the conclusion of the committee ought not necessarily rest entirely on Document 105; that there are other indications of what might be a fair rate per car mile, which help to determine the question of overpay and underpay that do not depend upon that particular tabulation for 1909. For example, the Post Office Department can make and has made estimates of the total amount of mail service measured in 60-foot car miles, and the result varies according to the method of estimating that service. In one estimate in which they charged the department with mail space based upon the three units of 15, 30, and 60 feet, they give us a figure of about 260,000,000 car miles as the equivalent of the Railway Mail Service 60-foot cars. That is not dependent on Document 105. Dividing that into existing revenue as reported by the Second Assistant Postmaster General, we get an idea of the existing revenue to the railroads per car mile for the mail service. The pay being \$51,000,000, the car miles being 260,000,000, we get an average payment of something less than 20 cents a car mile.

That does not depend in any way upon Document No. 105, but it does involve the same controversy that has come up in connection with this matter, because in that estimate of 260,000,000 car miles the department has been charged with a certain amount of dead space; that is to say, if they charge themselves with a 30-foot apartment when they need 20 or 25, it is obvious that they are charging themselves with a certain amount of dead space, although not as much as the total amount involved in Document No. 105; for example, under this three-unit system, if they needed a 30-foot apartment and the railroad company furnished a whole car, they would not be charged with the whole car, but only with the 30 foot apartment, because that is one of the units, consequently that element of dead space which exists would not be charged against the department under the three-unit plan. Having arrived, then, at the conclusion that upon a fair apportionment of dead space which presumably would result from these three units, you have your starting point, the existing revenue of something less than 20 cents a car mile. To know whether that is too high or too low, we, of course, have the basis of comparison with the average revenue received from passenger-train service, and that average is furnished by the Interstate Commerce Commission to this committee and is not open to much dispute, although it varies a little each year, although it must be considered that the average of approximately 25 cents is the result of considering all of the dead space in the divisor, because all of the car miles, whether they are empty or partly used are divided into the total passenger-train revenue. So there you have two figures which it seems to me are pretty well fixed and not open much to dispute and which do not depend on Document No. 105.

The CHAIRMAN. That is the 260,000 000 car miles as figured by the department and the car mileage from the passenger service as figured by the Interstate Commerce Commission?

Mr. LORENZ. Yes. Of course, the department made that estimate simply in response to a question of the committee, and possibly on revision they would change it somewhat. They have more recently submitted an estimate of 225,000,000 car miles when the authorization is made upon a different basis. In other words, the number of car miles with which the department charged themselves depends largely upon the units which they can authorize. If they can authorize 15, 20, and 25 feet they are obviously going to escape some of the dead space which they must assume if they authorize units of 15, 30, and 60 feet.

#### CAR MILEAGE ESTIMATES.

When the committee had reached tentative conclusions regarding rates a request was made of the department for an estimate as to the probable cost to the Government under these rates. The reply was based on a service of approximately 260,000,000 car miles, as against an estimated 225,000,000 car miles required under the department's multiple unit plan. It was desired to check these estimates, if possible, and Mr. Lorenz was asked whether it was possible to verify them in any way. He undertook to check the estimate as to the full R. P. O. and apartment-car service, but stated that he had no

basis on which he could tabulate the mileage for storage car and closed pouch mail.

The department furnished lists of all the trains utilizing the mails and estimates of the probable authorization of space on each train. These statistics were tabulated and a conclusion was reached by both the department and Mr. Lorenz that indicated approximately 205,000,000 car miles for apartment and railway post-office car service. This was about 11,000,000 car miles less than the figures which the department had previously assumed for corresponding service.

Mr. Lorenz stated that the only way he could compute the probable total car miles was by adding amounts corresponding to the proportions found in Document No. 105 for various classes of space, which indicated on a 60-foot-car basis for storage space 23,800,000 car miles and for closed pouch 6,700,000 car miles, making a total of 235,500,000 car miles. The department at first substantially agreed with the closed-pouch estimate, but thought the storage space should be 14,000,000 car miles greater—that is, approximately 38,000,000 car miles. In view of this difference, and since neither estimate was the result of accurate information, it was decided to test this matter further by getting reports from the field as to the actual storage cars run. At the request of the joint committee, the Postmaster General sent telegrams to all of the division superintendents in the Railway Mail Service asking them for lists of the trains and storage cars actually run for each of the two weeks ending March 21 and May 23, respectively. The result of this inquiry indicates approximately 51,000,000 car miles for storage-car service per annum, including the empty return. This assumes that the railroads would in no case make use of the empty cars. This surprising change in storage-car estimates would add about 13,000,000 car miles to the department's original estimate, which underestimate, combined with the overestimate of 11,000,000 car miles above mentioned, added approximately 2,000,000 car miles net to the department's original estimate of 260,000,000. The total then stood at approximately 262,000,000 car miles, but subsequently the department announced a result of a special inquiry regarding closed-pouch service. This indicated 164,817,446 service miles, but the department made no attempt to prorate this figure to a 60-foot-car basis.

#### PASSENGER, PULLMAN, EXPRESS, AND MAIL REVENUE.

Under date of May 5, 1914, the chairman addressed a letter to the president of the Pullman Co. at Chicago, Ill., the object in view being to ascertain whether that company had any statistics which would show the revenue received by the railroads on account of Pullman business.

The Pullman Co. replied as follows:

CHICAGO, ILL., May 7, 1914.

Hon. JONATHAN BOURNE,

*Chairman Committee on Transportation of Mail, Washington, D. C.*

Regret exceedingly inability to give information requested your letter 5th, as keep no record of passenger miles, our rates being based on space occupied. Two passengers may occupy one berth at same rate or six passengers on one drawing-room ticket. Seat-rate basis, 5 mills per mile; berth-rate,  $6\frac{1}{6}$  mills per mile for space but not per passenger mile. As explained above, your passengers per car is approximately correct.

JOHN S. RUNNELLS.

On April 30, 1914, the chairman addressed a letter to the Second Assistant Postmaster General asking for a statement giving the railroad average revenue on a 60-foot-car mile basis from passenger, Pullman, express, and mail. A similar letter was addressed to Mr. V. J. Bradley, supervisor of mail traffic, Pennsylvania Railroad Co., and Mr. Ralph Peters, chairman of the railroads' committee on railway mail pay. A similar request was made of Mr. M. O. Lorenz, associate statistician for the Interstate Commerce Commission, personally.

The Post Office Department in its letter of May 2 gave the average passenger-car-mile revenue for the fiscal year ending June 30, 1911, as 25.43 cents. As to Pullman, it had no adequate data. On express it gave a figure of 21.37 per 60-foot-car mile. This rate, however, it reduced 16 per cent, the estimated percentage of reduction in express rates by the Interstate Commerce Commission, which would reduce the express revenue for a 60-foot car hauled 1 mile to 17.95 cents. (Fiscal year 1910.)

As to mail, on the basis of Document No. 105, it adhered to its original figure of 4.14 mills per car-foot mile, or 24.84 cents per 60-foot-car mile, this amount, however, being reduced to 4.02 mills, or 24.12 cents per 60-foot-car mile, for additional credit by the Government for dead space. (Fiscal year 1910.)

The Department further estimated that as of November, 1913, including in car miles 40 per cent of the return movement of empty storage cars, the average revenue for mail would be 24.56 cents. If including 75 per cent of the return movement of empty storage cars, it would be 23.97 cents. If including 75 per cent of the return movement of empty storage cars and based on three car units, namely, 60, 30, and 15 feet, it would be 21.31 cents. The revenue used in each of these cases was that of November, 1913, \$55,410,775. (Letter of May 2, 1914.)

Mr. Lorenz, in a memorandum submitted to the committee, gave the Pullman revenue of the railroads as 23.2, but disclaimed responsibility for the accuracy of this estimate on account of dearth of proper statistics. For passenger, five years' average, he gave a figure of 25.30 cents; for mail, 20.22 cents; and in a separate memorandum he stated the express revenue to be 22.80 cents.

Mr. Bradley, in a memorandum submitted to the committee, estimated that the revenue to the railroads from Pullman service is 22.50 cents, based on 1.974 cents as the average passenger rate. If, however, the Pullman passenger pays 2.25 cents per mile, the average revenue would be 25.65 cents. If the railroads are relieved of the Pullman operating expense per car mile, estimated to be 4.14 cents, the estimated revenue would be 29.79 cents. For passenger, on a 60-foot car-mile basis, he gives a car-mile revenue of 26.52; for mail, 19.38 cents; and for express, 23.16 cents.

Under date of May 18 the Second Assistant Postmaster General's attention was called to his estimate, printed on page 1279 of the hearings, that the express revenue for 1910 was 21.37668 cents per car mile, and he was requested by the chairman to have the tabulations by which this figure was reached checked. On May 28, 1914, the Second Assistant Postmaster General replied that the rate should be corrected to read 22.647 cents, which approximately agrees with the rate ascertained by Mr. Lorenz, namely, 22.80 cents, the difference perhaps being accounted for by the fact that Mr. Lorenz, in his

calculation eliminated the revenue and car miles of roads less than 100 miles in length. The department also gave a figure of 23.088 cents for November, 1909. With reference to this figure, Mr. Stewart, in his letter of May 28, 1914, says:

Your further request that the express revenue reported to the department by the railroads for the month of November, 1909, be totaled, together with the corresponding car-foot miles and car miles, is noted. In compliance therewith, results have been ascertained as follows:

Total car-foot miles in express service.....	1, 301, 503, 075
Total express revenue.....	\$5, 009, 337
Express revenue per car-foot mile.....mills..	3. 848

(Figures do not include data for the Long Island R. R.)

Owing to the fact that the items of express revenue composing the above total revenue have not been examined, checked, nor published in House Document 105, the department is not prepared to vouch for the accuracy of the rate per car-foot mile based thereon, namely, 3.848 mills.

Throughout this inquiry where requests for information were made of the Post Office Department, similar requests were made of the railroads in order that data secured from the one might serve as a check on or verification of that furnished by the other. We have exhausted every possible effort to secure information of a demonstrable nature. On account of the extreme technicality of the subject matter which we have had under consideration we have met with many obstacles in our efforts to reach this desirable end; hence delays have resulted awaiting verification of statements submitted, the correctness of which we were unwilling to accept without such verification. Our aim, as already indicated, has been to present facts to Congress and not estimates.

We take pleasure in expressing our appreciation and recognition of the able and valuable assistance rendered our committee by its secretary, Mr. Robert H. Turner, in our preparation of this chapter of our report.

## CHAPTER III.

### THE WEIGHT BASIS, ITS DEFECTS—THE SPACE BASIS.

In the foregoing chapter is presented a historical review of previous investigations of the subject of railway mail pay, and a résumé of the testimony and arguments submitted in this inquiry. Some of the statistics will be presented more in detail in succeeding pages, and the merits of different plans suggested will be discussed. Preliminary thereto we submit the following brief summary of laws enacted upon this subject, beginning with the act of 1873, which is the basis of the present system of railway mail compensation:

The act of March 3, 1873, authorized and directed the Postmaster General to readjust railway mail compensation on the basis of a rate per mile per annum according to the average daily weight carried on each route, the weight being determined by a weighing of the mails for not less than 30 successive working days, and at least once in every four years. The rates are stated in the following table:

Average weight of mails per day carried over whole length of route:	Rates allowable under act of Mar. 3, 1873.
200 pounds.....	\$50
500 pounds.....	75
1,000 pounds.....	100
1,500 pounds.....	125
2,000 pounds.....	150
3,500 pounds.....	175
5,000 pounds.....	200
For each additional 2,000 above 5,000 and less than 48,000 pounds.....	25
For each additional 2,000 pounds in excess of 48,000 pounds.....	25

The same act provided that additional pay should be allowed for a daily trip of a full railway post-office car 40 feet or more in length at the following rates per mile per annum:

40-foot car.....	\$25
45-foot car.....	30
50-foot car.....	40
55 to 60 foot car (or more).....	50

The act of July 12, 1876, made a flat reduction of 10 per cent in each of the weight rates. The same act provided that land-grant railroads shall be paid only 80 per cent of the regular rates.

The act of June 17, 1878, made a further reduction of 5 per cent in the weight rates.

The act of March 3, 1905, required that the mails should be weighed for not less than 90 successive working days instead of for 30 days, as required by the law of 1873.

The act of March 2, 1907, made a further reduction of 5 per cent in the weight rates on routes carrying a daily average of over 5,000 pounds and a reduction of 10 per cent in the rates on routes carrying a daily average of over 48,000 pounds.

The same act made reductions in the rates to be paid for R. P. O. car service, the new rates per mile per annum being:

40-foot car.....	\$25. 00
45-foot car.....	27. 50
50-foot car.....	32. 50
55 to 60 foot car or more.....	40. 00

On June 7, 1907, Postmaster General Meyer issued Order No. 412, changing the method of computing the average daily weight of mail carried. Although this was not a change in the law, it is mentioned here because it was a change in the interpretation of law which had the effect of reducing the pay of the railroads about \$5,000,000 per annum. The divisor order is described on pages 44-45 and 117,118.

The act of May 12, 1910, reduced the rate for land-grant routes on each 2,000 pounds in excess of 48,000 pounds from \$17.10 to \$15.39.

The act of August 24, 1912, authorized the Postmaster General to readjust pay if mail be diverted from one route to another to the extent of not less than 10 per cent of the weight on either route.

#### PRESENT WEIGHT RATES.

The annual rates now in force are as follows:

Average weight of mails per day carried over whole length of route.	To non-land-grant railroads per mile per annum.	To land-grant railroads per mile per annum.	Intermedi-ate weights for which additional allowance is paid at the rates stated in note 1.
			<i>Pounds.</i>
200 pounds.....	\$42. 75	\$34. 20	12
200 to 500 pounds.....			
500 pounds.....	61. 12	51. 30	20
500 to 1,000 pounds.....			
1,000 pounds.....	85. 50	68. 40	20
1,000 to 1,500 pounds.....			
1,500 pounds.....	106. 87	85. 50	20
1,500 to 2,000 pounds.....			
2,000 pounds.....	128. 25	102. 60	60
2,000 to 3,500 pounds.....			
3,500 pounds.....	149. 62	119. 70	60
3,500 to 5,000 pounds.....			
5,000 pounds.....	171. 00	136. 80	
For each additional 2,000 pounds above 5,000 and less than 48,000 pounds.....	20. 30+	16. 24+	
Above 5,000 and less than 48,000 pounds.....			80
For each additional 2,000 pounds in excess of 48,000 pounds.....	19. 24	15. 39	

NOTE 1.—For each additional number of pounds weight indicated in the third column there is paid to nonland-grant roads 85 cents per mile per annum and to land-grant roads 68+ cents per mile per annum, except that on routes carrying from 5,000 to 48,000 pounds the additional allowance is 81 cents per mile per annum to nonland-grant roads and 64 cents per mile per annum to land-grant roads.

#### PRESENT RAILWAY POST-OFFICE-CAR RATES.

The rates paid for use and for part of the transportation cost of railway post-office cars per mile per annum are as follows per round trip daily:

Railway post-office cars 40 feet in length, inside measurement.....	\$25. 00
Railway post-office cars 45 feet in length, inside measurement.....	27. 50
Railway post-office cars 50 feet in length, inside measurement.....	32. 50
Railway post-office cars 55 feet in length, inside measurement.....	40. 00

## COMPARISON OF AUDITED REVENUES AND EXPENDITURES.

The following table shows the total postal revenue, the total postal expenditure, and the expenditure for railroad transportation and railway post-office cars combined, 1879 to 1913, inclusive:

Fiscal year.	Audited revenues.	Per cent of increase as compared with previous fiscal year.	Audited postal expenditures.	Annual expenditure for railroad transportation and R. P. O. cars. <sup>1</sup>	Increase.	Per cent.
1879.....	\$30,041,982.86	2.61	\$33,449,899.45	\$9,567,589.00	.....	.....
1880.....	33,315,479.34	10.89	36,542,803.68	10,498,986.00	\$931,397.00	9.73
1881.....	36,785,397.97	10.41	39,592,566.22	11,613,368.00	1,114,382.00	10.61
1882.....	41,876,410.15	13.84	40,482,021.23	12,753,184.00	1,139,816.00	9.81
1883.....	45,508,692.61	8.67	43,282,944.43	13,887,800.00	1,134,616.00	8.89
1884.....	43,325,958.81	<sup>2</sup> 4.80	47,224,560.27	15,012,603.00	1,124,803.00	8.09
1885.....	42,560,843.83	<sup>2</sup> 1.77	50,046,235.21	16,627,983.00	1,615,380.00	10.76
1886.....	43,948,422.95	3.26	51,004,743.80	17,336,512.00	708,529.00	4.26
1887.....	48,837,609.39	11.12	53,006,194.39	18,056,271.72	719,759.72	4.15
1888.....	52,695,176.79	7.90	56,468,315.20	19,524,959.15	1,468,687.43	8.13
1889.....	56,175,611.18	6.60	62,317,119.36	21,639,613.33	2,114,654.18	10.83
1890.....	60,882,097.92	8.31	66,259,547.84	23,395,231.66	1,755,618.33	8.11
1891.....	65,931,785.72	8.21	73,059,519.49	25,183,713.82	1,788,482.16	7.64
1892.....	70,930,475.98	7.58	76,980,846.16	27,126,529.11	1,942,815.29	7.71
1893.....	75,896,933.16	7.00	81,581,681.33	28,910,195.30	1,783,666.19	6.57
1894.....	75,080,479.04	<sup>2</sup> 1.08	84,994,111.62	30,358,190.01	1,447,994.71	5.00
1895.....	76,983,128.19	2.53	87,179,551.28	31,205,342.58	847,152.57	2.79
1896.....	82,499,208.40	7.17	90,932,669.50	32,405,797.17	1,200,454.59	3.84
1897.....	82,665,462.73	.20	94,077,242.38	33,876,521.19	1,470,724.02	4.53
1898.....	89,012,618.55	7.68	98,033,523.61	34,703,847.56	827,326.37	2.44
1899.....	95,021,384.17	6.75	101,632,160.92	36,117,875.74	1,414,028.18	4.08
1900.....	102,354,579.29	7.72	107,740,267.99	37,793,981.74	1,676,106.00	4.64
1901.....	111,631,193.39	9.06	115,554,920.87	38,519,624.27	725,642.53	1.92
1902.....	121,848,047.26	9.15	124,785,697.07	39,953,607.95	1,433,983.68	3.72
1903.....	134,224,443.24	10.16	138,784,487.97	41,886,848.59	1,933,240.64	4.84
1904.....	143,582,624.34	6.97	152,362,116.70	44,695,610.36	2,808,761.77	6.70
1905.....	152,826,585.10	6.44	167,399,169.23	45,576,515.16	880,904.80	1.97
1906.....	167,932,782.95	9.88	178,449,778.89	47,481,037.56	1,904,522.40	4.17
1907.....	183,585,005.57	9.32	190,238,288.34	51,008,111.32	3,527,073.76	7.42
1908.....	191,478,663.41	4.30	208,351,886.15	49,404,763.05	<sup>2</sup> 1,603,348.27	<sup>2</sup> 3.24
1909.....	203,562,383.07	6.31	221,004,102.89	49,606,440.16	201,677.11	.41
1910.....	224,128,657.62	10.10	229,977,224.50	49,302,217.46	<sup>2</sup> 304,222.70	<sup>2</sup> .61
1911.....	237,879,823.60	6.14	237,648,926.68	50,910,261.68	1,608,044.22	3.26
1912.....	246,744,015.88	3.72	248,525,450.08	50,703,323.02	<sup>2</sup> 206,938.66	<sup>2</sup> .40
1913.....	266,619,525.65	8.05	262,067,541.33	51,466,030.62	762,707.60	1.50
1914 appropriation.....					<sup>3</sup> \$57,000,000	
1915 appropriation.....					<sup>4</sup> 62,110,000	

<sup>1</sup> It will be noted that the figures in this column are not identical with the figures taken from Interstate Commerce Commission reports and presented on page 94. The difference is apparently due to the fact that the Post Office Departments' reports cover all audited expenditures under this item while the Interstate Commerce Commission reports cover only mail revenues reported to the commission by the railroads. Some railroads make incomplete or defective reports.

<sup>2</sup> Decrease.

<sup>3</sup> Includes \$500,000 for transportation of supplies by freight and express.

<sup>4</sup> Includes \$510,000 for transportation of supplies by freight and express.

## DEFECTS OF PRESENT SYSTEM.

The problem of fixing compensation for the transportation of mail by the railroads is one that has perplexed the minds of legislators almost from the beginning of railroad transportation. It is a problem no less difficult than that of determining fair and equitable rates for the transportation of freight or passengers. In fact, in some respects it is much more difficult, for the reason that mail has no determinable commercial value and it is impossible therefore to determine what rate the traffic will bear, as sometimes is done in the case of the transportation of commodities. The problem of fixing

compensation for transportation of the mail involves all the difficulties that are encountered in considering the question of transportation of commodities or passengers, and also presents the difficulty incident to the transportation of something that is of incalculable value, and yet having no commercial value in the ordinary sense of the term. It is not surprising, therefore, that during all the years of uncertainty regarding a proper basis for the fixing of rates for freight and passengers the intermittent efforts of Members of Congress and of the Post Office Department to work out a satisfactory plan for compensating railroads for mail transportation have proven futile.

It may safely be asserted that the present method of computing the compensation is so complicated and so difficult to understand that a business man of average ability and business experience could not read the existing laws and then compute the amount that should be paid any road. It is not pretended that the above brief statement is a full and exact explanation of the present system of compensation.

We believe that its intricacy and complexity alone is sufficient to condemn the present system. We assert that whenever practicable all transportation rates, whether for freight, passengers, express, or mail, should be stated in terms so plain that the average citizen may know the unit of service, the rate payable, and be able therefrom to compute the total amount due.

But the present system has other defects which may be thus concisely stated:

Quadrennial weighings are an unsatisfactory basis, because they make no allowance for changes in quantity of mail during the four-year periods.

Should the mail diminish between quadrennial weighing periods, the Government would have to pay for service not performed; and if it increased, the railroads would receive no compensation for transporting the increased volume of mail. This is manifestly unjust and unbusinesslike.

Quadrennial weighings cost the Government an average of about \$400,000 per year and entail a considerable expense upon the railroads in checking Government weights in order to guard against mistakes.

Compensation for four years on the basis of a 90-day weighing period is wrong in principle as it creates opportunity for the railroads to pad the mails or the Post Office Department to deplete them during such a weighing period.

The present system requires the railroads to carry the mails between the depot and the post office in most instances, but relieves them of that burden in many instances. Conveyance of mail on city streets is no proper part of railroad duty. Railroad transportation, both freight and passenger, begins and ends at railroad depots and terminals.

The present system pays the same rate per ton-mile whether the haul is long or short; yet terminal expenses are relatively the same regardless of the length of the haul, thus creating an inequality between the short lines and trunk lines, although the present system attempts to counteract this by paying a different rate for different densities of traffic.

The present system ignores the frequency of service—pays the same rate for mail carried on one train as for the same daily average weight

carried on two or more trains, though the latter service is more expensive to the railroads and more valuable to the public.

Compensation based chiefly upon weight does not provide sufficient incentive to the Government to economize in the space used in cars, thus encouraging economic waste.

For the reasons above stated, we believe the weight basis for fixing railway mail pay involves so many defects that it should be abandoned if a better system can be devised.

#### SPACE AS A SUBSTITUTE FOR WEIGHT.

This brings us to a consideration of the space basis as a substitute for the present system.

While one's first impression is that weight is the chief factor in determining all transportation costs and charges, a more careful consideration of the subject will show that this is not the case.

The bulk of the freight business is carried in what are known as carload lots. In the carload freight business, space is taken into consideration in that a minimum weight per car, varying with the bulk of the commodity, is fixed, and the shipper must pay at least the minimum carload rate regardless of the amount of freight in the car. In fixing rates upon different commodities shipped in less than carload lots, the bulk of the commodity as well as its weight receives consideration. For example, a carriage or furniture that is taken apart and packed into a crate will be transported at a less charge than the same article shipped set up. The reason for the difference, although the weight be identical, is that in one instance less space is occupied than in the other.

The same principle obtains, in general, in fixing passenger rates. The charge is so much per passenger, whether the passenger be a heavy man or a light man. The same is true in the fixing of Pullman fares. A certain amount is charged for the use of a berth whether it be occupied by one or two persons.

The justification for this consideration of space in fixing transportation charges in the passenger service is that the car itself weighs more than its contents. This is also true in the case of mail. A storage car contains the largest quantity of mail which it is possible to ship in one conveyance. Yet, the steel storage car weighs about 50 tons while the mail it carries usually would not exceed 10 tons. In the ordinary post-office car, however, so much of the space is used for the distribution of mail that on an average only 2 to 3 tons of mail matter is carried, while the car itself, if of steel, weighs some 60 tons.

It will readily be seen, therefore, that if the railroad company is required to haul 60 tons of car and only 2 to 3 tons of mail therein, the chief source of expense is in the transportation of the car, not in the transportation of its contents. If the Government, for the purpose of facilitating the rapid distribution of mail, chooses to load a car with only 2 to 3 tons of mail, it should pay the railroad on a basis that will afford a reasonable compensation for the hauling of both car and contents.

Heretofore the railroads have received their compensation in two classes—first, for the transportation of a certain quantity of mail ascertained by weight; and, second, a charge for space in and haulage of railway post-office cars 40 feet or more in length utilized for mail

distribution in transit. This is an express recognition of the right of the railroads to compensation for hauling the working space. We are already on a partial space basis.

It is to the interest of the Government, however, to fix the compensation on such a basis as will encourage the department and its employees to utilize all the space it is practicable for them to use. Naturally, it will be the desire of the department to make as good a record as possible for economical management. If the entire compensation be based upon a standard of space, the supervisory officials in the department will encourage and require their employees to utilize that space as fully and economically as possible. The judicious expenditure of public money will thus be encouraged and economic waste minimized.

#### ADVANTAGES OF SPACE BASIS.

We favor the adoption of space rather than weight as the basis for measuring the service rendered, for the following reasons:

It permits fluctuation of mail pay with every material fluctuation in the service.

It eliminates the cost and inconvenience of the quadrennial weighing.

It eliminates the temptation for dishonest efforts to either deplete or pad mails during the weighing periods, because it abolishes all weighing.

It minimizes waste by encouraging the Post Office Department to utilize as nearly as possible all the space it pays for in mail cars.

It constitutes a system of compensation so definite, simple, and clear that any citizen can understand it and can know exactly what service each railroad is rendering, its rate of pay, and the amount of annual compensation.

Rapid development of the parcel-post service furnishes another strong reason for the substitution of space for weight as a basis of railway mail compensation. Since expansion of the parcel post, the quadrennial weighing has become much more unsatisfactory as a means of determining the compensation to be paid for transportation.

As already indicated, the idea of adopting space as the basis for railway mail pay is not new. The subject was presented at length before the Hubbard Commission in 1876, before the Elmer-Thompson-Slater Commission in 1883, and before the Wolcott-Loud Commission in 1898. The former two commissions favored the space basis and, from expressions heretofore quoted, it seems probable that the Wolcott-Loud Commission would have reached a similar conclusion if it had pursued the subject more extensively. The Hitchcock plan, in Document 105, was based upon space, but was so defective in other respects that the department itself found it advisable to abandon it.

Although the Post Office Department failed to evolve any practical, administrable space plan and the railroads have almost unanimously opposed the space basis, yet we feel that we have constructed a scientific, simple, and most desirable space plan as presented in our suggested bill, and are confident that the adoption and operation of same will prove highly satisfactory to both the Government and the railroads, certainly far more satisfactory than our present system.

## CHAPTER IV.

### THE DEPARTMENT'S CLAIM THAT RAILROADS ARE OVERPAID FOR CARRYING MAIL—ITS FOUR SUGGESTED PLANS.

The act of March 3, 1879, chapter 180, section 6 (20 Stat. L., 358), provides as follows:

The Postmaster General shall request all railroad companies transporting the mails to furnish under seal, such data relating to the operating, receipts, and expenditures of such roads as may, in his judgment, be deemed necessary to enable him to ascertain the cost of mail transportation and the proper compensation to be paid for the same; and he shall, in his annual report to Congress, make such recommendations, founded on the information obtained under this section, as shall, in his opinion, be just and equitable.

Soon after the passage of this act an effort was made to secure the information required, but at that time the railroad companies did not have their accounts in such shape as to enable them to make reports which the department needed for the purposes required.

In 1907 Mr. Cortelyou, then Postmaster General, evidently believing that railroad accounting had been so developed that reliable data could be secured upon which to base conclusions in compliance with the act above quoted, had a special committee created in the Post Office Department itself under the direction of the Second Assistant Postmaster General. Over 140 questions were prepared and propounded to the 795 steam railroads then carrying mail to ascertain and furnish the Post Office Department the information requested for the month of November, 1909.

#### ORIGINAL HITCHCOCK PLAN.

At the request of the department Congress made two appropriations of \$10,000 each to defray the expenses of the tabulation of these returns. Out of this aggregate of \$20,000 appropriated, \$19,423.20 was expended, the railroads claiming that it cost them over \$250,000 to secure the information asked for by the department.

There was submitted to Congress on August 12, 1911, by the then Postmaster General Hitchcock, the result of such investigation of the cost to railroads of transporting mail. This was published in House Document No. 105, 1911, Sixty-second Congress, first session, and has been much discussed in the hearings before our joint committee. Said House Document No. 105 contains a tentative draft of proposed law for regulation of railway mail pay, same reading as follows:

#### TENTATIVE DRAFT OF PROPOSED LAW FOR REGULATION OF RAILWAY MAIL PAY.

The Postmaster General is authorized and directed to require companies operating railroads by steam, electricity, or other motive power carrying the mails to furnish under oath and seal not less frequently than once in each fiscal year such information relating to the service, operation, receipts, and expenditures of such roads for a period of not less than thirty days, to be designated by him, as may in his judgment be deemed necessary to enable him to ascertain the cost to the companies of carrying

the mails on their respective roads and the proper compensation to be paid for that service. He shall require all such companies to submit such information not later than March first, nineteen hundred and twelve, and in each fiscal year thereafter at such times and for such periods as he shall prescribe. It shall be the duty of such railroad companies to furnish such information, and if any railroad company fails or refuses to do so when required, its compensation for service rendered thereafter until such company shall comply and an adjustment is made by the Postmaster General, shall be forfeited to the United States and shall be withheld as liquidated damages.

If any officer, agent, or employee of a railroad company shall knowingly furnish any information required under the provisions of this act that is false and fraudulent, he shall be fined not more than twenty thousand dollars and imprisoned not more than five years.

The Postmaster General shall determine the cost to each railroad company of carrying the mails on its respective road or roads, and shall verify and state the result in such form and manner as he shall deem proper. For this purpose he is authorized to credit, assign, and apportion the revenues and expenses of railroad companies so reported in such manner as he shall deem fair and equitable and in his judgment necessary to ascertain the cost as near as practicable, a statement of which shall be given the company concerned. If any railroad company shall object to the method of crediting, assigning, and apportioning the revenues and expenses, it may file objection with the Postmaster General within twenty days after such statement is made to the company, and the Postmaster General shall thereupon certify the method and objection, and such papers as in his judgment may be essential to an understanding of the method, to the Interstate Commerce Commission, who shall review the finding of the Postmaster General and affirm, modify, or revise the same, and certify the result to the Postmaster General, which action thereon shall be final.

The Postmaster General is authorized and directed to readjust the pay to companies operating railroads for the transportation and handling of the mails and furnishing facilities in connection therewith, not less frequently than once in each fiscal year, commencing with July first, nineteen hundred and twelve, at a rate of compensation per annum not exceeding the cost to the railroad companies of carrying the mails as ascertained by him, and six per centum of such cost: *Provided*, That when such ascertained cost and six per centum does not equal twenty-five dollars per mile per annum, he may, in his discretion, allow not exceeding such rate.

Railroad companies whose railroads were constructed in whole or in part by a land grant made by Congress on the condition that the mails should be transported over their roads at such price as Congress should by law direct, shall receive not exceeding the cost to them of performing the service.

Information shall be furnished and adjustments made as near as practicable by accounting systems or roads, and the cost and the compensation for the term shall be stated for all service covered by each system or road. The routes for a system or road may be stated for administrative purposes in such manner as the Postmaster General may determine.

The Postmaster General may order new or additional service during a term for which an adjustment shall have been made or service authorized on any system or road, in any train operated by such system or road over any part of the trackage included in the adjustment or authorization, and without additional compensation therefor during such term.

He may order service over new or additional trackage of an adjusted system or road during a term and state the amount performed for the remainder of such term on statistics obtained for the first thirty days of service. Payment therefor may be made at not exceeding the average rate per car-foot mile for the system or road ascertained at the regular adjustment. Entire discontinuance of service over trackage included in the adjustment or thereafter added shall be deducted for at the car-foot mile rate of adjustment or mile rate of authorization. In case the operation of service over trackage included in an adjustment or thereafter added is undertaken by another company during the term, the same may be recognized by the Postmaster General, provided the companies in interest shall file with him their joint agreement as to the part of the compensation of the old operating company to be paid the new operating company; otherwise payment to the company first authorized shall be full payment for all service performed for the term.

The Postmaster General may order service over trackage of a railroad company not operating service under an adjustment or authorization after the regular adjustment for the remainder of the term, and pay therefor at not exceeding forty-two dollars and seventy-five cents per mile of trackage per annum.

Service over property owned or controlled by a terminal company shall be considered service of the roads or systems using such property and not that of the terminal company.

Railroad companies carrying the mails shall furnish all necessary facilities for caring for and handling them while in their custody. They shall furnish all cars or parts of cars used in the transportation and distribution of the mails, and place them in stations before the departure of trains when required to do so. They shall provide side, terminal, and direct transfer service and all station and depot space and rooms for handling, distribution, and transfer of mails en route, and for offices and rooms for the employees of the Postal Service engaged in such transportation, when ordered by the Postmaster General.

Every railroad company carrying the mails shall carry on any train it operates and without extra charge therefor the persons in charge of the mails, and when on duty and traveling to and from duty, and all duly accredited agents and officers of the Post Office Department and the Postal Service, while traveling on official business, upon the exhibition of their credentials.

All cars or parts of cars used for the Railway Mail Service shall be of such construction, style, length, and character, and furnished in such manner as shall be required by the Postmaster General, and shall be constructed, fitted up, maintained, heated, lighted, and cleaned by and at the expense of the railroad companies. No payment shall be made for service by any railway post-office car which is not sound in material and construction, and which is not equipped with sanitary drinking-water containers and toilet facilities, nor unless such car is regularly and thoroughly cleaned. No pay for service shall be allowed for the operation of any wooden railway post-office car unless constructed substantially in accordance with the most approved plans and specifications of the Post Office Department for such type of cars, nor for any wooden railway post-office car run in any train between adjoining steel or steel underframe cars, or between the engine and steel or steel underframe car adjoining. All additional cars accepted for this service shall be of steel or with steel underframe if used in a train in which a majority of the cars are of steel or steel underframe. After the first of July, nineteen hundred and sixteen, the Postmaster General shall not approve or allow to be used or pay for the use of any railway post-office car not constructed of steel or with steel underframe, if such car is used in a train in which a majority of the cars are of steel or of steel underframe construction. The Postmaster General shall make deductions from the pay of the railroad companies on the basis of the value of the service computed on the car-foot mile basis in all cases where the cars do not comply with the provisions of this act.

The space in cars devoted to the use of the mails, as ascertained during the period fixed by the Postmaster General for the rendition of information by the railroad companies, shall be taken as the basis for computing the car-foot miles devoted to the mail service for the purpose of readjustment, effective from the first of July next following: *Provided*, That no credit shall be given for space in cars devoted to the distribution of the mails unless such space shall be authorized by the postmaster General or unless he shall determine that its use is made necessary by a specific authorization.

If any railroad company shall fail or refuse to provide cars or apartments in cars for distribution purposes when required by the Postmaster General, or shall fail or refuse to construct, fit up, maintain, heat, light, and clean such cars and provide such appliances for use in case of accident as may be required by the Postmaster General, it shall be fined such sum as shall, in the discretion of the Postmaster General, be deemed proper.

The Postmaster General shall in all cases decide upon what trains and in what manner the mails shall be conveyed. Every railroad company carrying the mails shall carry on any train it operates all mailable matter directed to be carried thereon. If any railroad company shall fail or refuse to transport the mails when required by the Postmaster General upon any train or trains it operates, such company shall be fined such amount as may, in the discretion of the Postmaster General, be deemed proper.

The Postmaster General may make deductions from the pay of railroad companies carrying the mails under the provisions of this act for reduction in service or frequency of service where, in his judgment, the importance of the facilities withdrawn or reduced requires it and impose fines upon them for delinquencies. He may deduct the price of the value of the service in such cases where it is not performed, and not exceeding three times its value if the failure be occasioned by the fault of the railroad company.

The Postmaster General is authorized to have such weights of mails and measurements of space taken and to collect such other information by sworn employees of the Post Office Department as he may deem necessary and to have such information stated and verified to him by such employees, under such instructions as he may consider just to the Post Office Department and the railroad companies, to assist in the ascertainment of the space used for the transportation and the handling of the

mails on railroads, and to employ such special clerical and other assistance as shall be necessary to carry out the provisions of this act, and to rent quarters in Washington, District of Columbia, if necessary, for the clerical force engaged thereon, and to pay for the same out of the appropriation for inland transportation by railroads.

The provisions of this act shall apply to service operated by railroad companies partly by railroad and partly by steamboats.

The provisions of this act respecting the rate of compensation and the determination thereof shall not apply to mails conveyed under special arrangement in freight trains, for which a rate not exceeding the usual and just freight rates may be paid, in accordance with the classifications and tariffs approved by the Interstate Commerce Commission.

It shall be unlawful for any railroad company to refuse to carry the mails at the rates of compensation provided by law when and for the period required by the Postmaster General so to do, and for every such offense it shall be fined not exceeding \$5,000.

All laws or parts of laws inconsistent herewith are hereby repealed.

#### CAPITAL CHARGES DISREGARDED.

Mr. Hitchcock strongly recommended to Congress the enactment of this bill, conveying to Congress by letter the impression that the result of such legislation would be a saving to the Government of about \$9,000,000 in railway mail pay. This statement attracted a great deal of attention, and tended to confirm the widespread popular impression that the mail payments to steam railroads by the Government were and are excessive. Evidently Mr. Hitchcock and his departmental committee studying this problem, failed to realize that rights of way, roadbeds, tracks, equipment, and terminals were necessary prerequisites in the operation of mail cars, as no allowance whatever was made in the suggested method of payment for capital charges, but the sole compensation to the railroads should be the Postmaster General's ascertained cost to the railroad companies for carrying the mail and 6 per cent of said cost.

The bill was referred to the Senate Committee on Post Offices and Post Roads. The Post Office Department urged its inclusion in the Post Office appropriation bill, then under consideration by the Senate committee. The Senate committee thought best, because of the technicality and importance of the subject and the shortness of time remaining before the adjournment of Congress, to leave the matter for later consideration, and recommended the appointment of a joint committee for a special study of the subject of compensation for the transportation of mail as well as postage on second-class mail matter. Congress acted in accordance with the suggestion of that committee, with the result that our committee was created.

#### DISCUSSION OF PLAN INVITED.

For the purpose of getting the department's views before the country and enabling Congress to get all possible information bearing on the subject matter, the Senate Committee on Post Offices and Post Roads requested its then chairman, Jonathan Bourne, jr., to introduce the departmental suggested draft of a bill in the Senate, and Chairman Bourne sent a copy of same to each one of the railroads with a letter requesting their comments, criticisms, and suggestions relative to the tentative departmental plan.

The railroad representatives vigorously assailed the soundness and justice of the conclusions announced by the department in Document

No. 105 and as embodied in the department's suggested plan. They held that the allowance should not be calculated upon the operating expenses, but upon the mail service's share of the capital charges. They further claimed that the department had made serious statistical errors in its method of tabulation regarding space occupied on trains. The purpose of the tabulation was to show the relative space occupied on passenger trains by the passenger, mail, and express services, respectively. The railroads included in this space to be charged to mail all the space actually run in connection with that service, irrespective of whether it was loaded or empty.

In the mail service, as in other branches of the railroad service, traffic is not evenly balanced in both directions. Cars well filled in one direction must be brought back empty. The department, in tabulating the space returns, segregated a large part of this empty space. This was of various classes, but all classes of dead space were put together in one column, and in some tables consolidated with the passenger space. In making its deductions from the result of the tabulation, the department did not consider the "dead" or "empty" mail space as mail space except to a slight extent, in which case they called it "deadhead" space. This error was not expressly admitted by the department, and much time was consumed in the hearings in the discussion of this question of "dead space."

The admission of this error would absolutely overthrow the only basis upon which the department could claim that on a commercial basis the railroads were overpaid.

#### ERRONEOUS TREATMENT OF MAIL SPACE.

To our minds, the discussion of this subject, which the reader who is interested may pursue extensively in the printed hearings, proved conclusively that here also the department made a serious error. Some of the so-called dead space may have been legitimately rejected, as when a particular train running six times a week was erroneously put down as running seven times a week. But to maintain that empty space unavoidably run in connection with the mail service is not to be considered as chargeable to the department, when the empty seats in the passenger car are all charged to the passenger service, must appeal to any fair-minded person of average intelligence as utterly unwarranted. To be sure, one may make rates to be paid for loaded cars only, but then the rates must be kept high enough to include a payment for the average amount of necessary empty movement. We may illustrate the effect of rejecting the dead space in making comparison of earnings in the mail service and other passenger-train service as follows: It is undisputed that when "dead space" is all charged to the mail service, the Government paid 20.22 cents per car mile in November, 1909, while if it is not counted it paid 24.84 cents per car mile. If in the other passenger-train services all the space is counted, which is the only way it can be counted from the evidence submitted, it has been agreed by representatives of both the department and the railroads that the railroads received a car-mile rate of 26.04 cents in that month. It is indisputable that the 26.04 cents passenger-car-mile revenue must be compared with the 20.22 cents for mail and not with the 24.84 cents for mail given above.

The department's claims as to the overpay of railroads for mail transportation are all predicated on the soundness of its allotment of "dead" and "deadhead" space, as set forth in said Document No. 105. We have demonstrated the unfairness of such allotment and find that the department has totally failed to justify its claims that the railroads are overpaid for mail transportation.

While not specifically admitted, we think the Second Assistant Postmaster General, representing the department, virtually admitted the error when he stated in the hearings, page 1499, he could not say that it was possible to operate the railroads without having some of this dead space connected with mail service. Furthermore, the latest bill approved by the department (H. R. 17042) provides for authorization of space by 60, 30, and 15 foot units, which involves an authorization of much of the so-called dead space. Thus the department has tacitly admitted its error, although its representatives were not willing to do so in express terms at the hearings.

#### DEPARTMENT SUBMITS A SECOND PLAN.

The demonstration and realization of the injustice and unadministrableness of the department's suggested bill of August 12, 1911, doubtless caused the then Postmaster General, Mr. Hitchcock, on January 20, 1913, to submit a second draft of a bill for regulation of railway mail pay, which reads as follows:

#### TENTATIVE DRAFT OF PROPOSED LAW FOR REGULATION OF RAILWAY MAIL PAY.

The Postmaster General is authorized and directed to require companies operating railroads by steam, electricity, or other motive power, carrying the mails to furnish, under oath and seal, not less frequently than once in each fiscal year, such information relating to the service, operation, receipts, and expenditures, and such other information of such roads for a period of not less than thirty days, to be designated by him, as may in his judgment be deemed necessary to enable him to ascertain the cost to the companies of carrying the mails on their respective roads and the proper compensation to be paid for that service. He shall require all such companies to submit such information not later than March first, nineteen hundred and fourteen, and in each fiscal year thereafter, at such times and for such periods as he shall prescribe. It shall be the duty of such railroad companies to furnish such information, and if any railroad company fails or refuses to do so when required its compensation for service rendered thereafter until such company shall comply and an adjustment is made by the Postmaster General shall be forfeited to the United States and shall be withheld as liquidated damages.

If any officer, agent, or employee of a railroad company shall knowingly furnish any information required under the provisions of this act that is false and fraudulent he shall be fined not more than twenty thousand dollars and imprisoned not more than five years.

The Postmaster General shall determine the cost to each railroad company of carrying the mails on its respective road or roads, and shall verify and state the result in such form and manner as he shall deem proper. For this purpose he shall transmit the information furnished by the railroad companies relating to the operating expenditures to the Interstate Commerce Commission, who shall credit, assign, and apportion such operating expenditures to the passenger and freight services, and report the result as to the passenger service to the Postmaster General. The Postmaster General is authorized to credit, assign, and apportion the passenger operating expenses as reported to him by the Interstate Commerce Commission, and the taxes in such manner as will determine the proportion thereof chargeable to the mail service, a statement of which shall be given the company concerned. If any railroad company shall object to the method of crediting, assigning, and apportioning the passenger operating expenses and taxes to the mail service, it may file objection with the Postmaster General within twenty days after such statement is made to the company, and the Postmaster General shall thereupon certify the method and objection and such papers as in his judgment may be essential to an understanding of the method, to the Interstate Commerce

Commission, who shall review the finding of the Postmaster General and affirm, modify, or revise the same, and certify the result to the Postmaster General, which action thereon shall be final.

The Postmaster General is authorized and directed to readjust the pay to companies operating railroads for the transportation and handling of the mails and furnishing facilities in connection therewith, not less frequently than once in each fiscal year, commencing with July first, nineteen hundred and fourteen, at a rate of compensation per annum equal to the cost to the railroad companies of carrying the mails as ascertained by him, and six per centum of such cost; in addition, companies may be allowed such additional amounts, if any be necessary, as shall render the whole a proper proportion of a fair and reasonable return on the value of the property necessarily employed in connection with the mail service: *Provided*, That when such sum does not equal \$25 per mile per annum, he may, in his discretion, allow not exceeding such rate.

Railroad companies whose railroads were constructed in whole or in part by a land grant made by Congress, on the condition that the mails should be transported over their roads at such price as Congress should by law direct, shall receive not exceeding the cost to them of performing the service.

Information shall be furnished and adjustments made as nearly as practicable by accounting systems or roads, and the cost and the compensation for the term shall be stated for all service covered by each system or road. The routes for a system or road may be stated for administrative purposes in such manner as the Postmaster General may determine.

The Postmaster General may order new or additional service during a term for which an adjustment shall have been made or service authorized on any system or road in any train operated by such system or road over any part of the trackage included in the adjustment or authorization, and without additional compensation therefor during such term.

He may order service over new or additional trackage of an adjusted system or road during a term and state the amount performed for the remainder of such term on statistics obtained for the first thirty days of service. Payment therefor may be made at not exceeding the average rate per car-foot mile for the system or road ascertained at the regular adjustment. Entire discontinuance of service over trackage included in the adjustment or thereafter added shall be deducted for at the car-foot mile rate of adjustment or mile rate of authorization. In case the operation of service over trackage included in an adjustment or thereafter added is undertaken by another company during the term, the same may be recognized by the Postmaster General, provided the companies in interest shall file with him their joint agreement as to the part of the compensation of the old operating company to be paid the new operating company; otherwise payment to the company first authorized shall be full payment for all service performed for the term.

The Postmaster General may order service over trackage of a railroad company not operating service under an adjustment or authorization after the regular adjustment for the remainder of the term, and pay therefor at not exceeding \$42.75 per mile of trackage per annum.

Service over property owned or controlled by a terminal company shall be considered service of the roads or systems using such property and not that of the terminal company.

Railroad companies carrying the mails shall furnish all necessary facilities for caring for and handling them while in their custody. They shall furnish all cars or parts of cars used in the transportation and distribution of the mails, and place them in stations before the departure of trains when required to do so. They shall provide side, terminal, and direct transfer service and all station and depot space and rooms for handling, distribution, and transfer of mails en route, and for offices and rooms for the employees of the postal service engaged in such transportation when ordered by the Postmaster General.

Every railroad company carrying the mails shall carry on any train it operates and without extra charge therefor the persons in charge of the mails, and when on duty and traveling to and from duty, all duly accredited agents and officers of the Post Office Department and the postal service, while traveling on official business, upon the exhibition of their credentials.

All cars or parts of cars used for the Railway Mail Service shall be of such construction, style, length, and character, and furnished in such manner as shall be required by the Postmaster General, and shall be constructed, fitted up, maintained, heated, lighted, and cleaned by and at the expense of the railroad companies. No payment shall be made for service by any railway post-office car which is not sound in material and construction, and which is not equipped with sanitary drinking-water containers

and toilet facilities, nor unless such car is regularly and thoroughly cleaned. No pay for service shall be allowed for the operation of any wooden railway post-office car unless constructed substantially in accordance with the most approved plans and specifications of the Post Office Department for such type of cars, nor for any wooden railway post-office car run in any train between adjoining steel or steel underframe cars, or between the engine and steel or steel underframe car adjoining. After the first of July, nineteen hundred and seventeen, the Postmaster General shall not approve or allow to be used or pay for any full railway post-office car not constructed of steel or steel underframe or equally indestructible material, and not less than twenty-five per centum of the railway post-office cars of a railroad company not conforming to this provision shall be replaced with cars constructed of steel annually after June, nineteen hundred and thirteen; and all cars accepted for this service and contracted for by the railroad companies after the passage of this act shall be constructed of steel. The Postmaster General shall make deductions from the pay of the railroad companies on the basis of the value of the service computed on the car-foot-mile basis in all cases where the cars do not comply with the provisions of this act.

The space in cars devoted to the use of the mails, as ascertained during the period fixed by the Postmaster General for the rendition of information by the railroad companies, shall be taken as the basis for computing the car-foot miles devoted to the mail service for the purpose of readjustment, effective from the first of July next following: *Provided*, That no credit shall be given for space in cars devoted to the distribution of the mails unless such space shall be authorized by the Postmaster General or unless he shall determine that its use is made necessary by a specific authorization. In computing the car-foot miles, the mail service shall be charged in both directions for a line of railway post-office cars with the maximum space authorized in either direction.

If any railroad company shall fail or refuse to provide cars or apartments in cars for distribution purposes when required by the Postmaster General, or shall fail or refuse to construct, fit up, maintain, heat, light, and clean such cars and provide such appliances for use in case of accident as may be required by the Postmaster General, it shall be fined such sum as shall, in the discretion of the Postmaster General, be deemed proper.

The Postmaster General shall in all cases decide upon what trains and in what manner the mails shall be conveyed. Every railroad company carrying the mails shall carry on any train it operates all mailable matter directed to be carried thereon. If any railroad company shall fail or refuse to transport the mails when required by the Postmaster General upon any train or trains it operates, such company shall be fined such amount as may, in the discretion of the Postmaster General, be deemed proper.

The Postmaster General may make deductions from the pay of railroad companies carrying the mails under the provisions of this act for reduction in service or frequency of service where, in his judgment, the importance of the facilities withdrawn or reduced requires it, and impose fines upon them for delinquencies. He may deduct the price of the value of the service in such cases where it is not performed, and not exceeding three times its value if the failure be occasioned by the fault of the railroad company.

The Postmaster General is authorized to have such weights of mails and measurements of space taken and to collect such other information by sworn employees of the Post Office Department as he may deem necessary and to have such information stated and verified to him by such employees, under such instructions as he may consider just to the Post Office Department and the railroad companies, to assist in the ascertainment of the space used for the transportation and the handling of the mails on railroads, and to employ such special clerical and other assistance as shall be necessary to carry out the provisions of this act, and to rent quarters in Washington, District of Columbia, if necessary, for the clerical force engaged thereon, and to pay for the same out of the appropriation for inland transportation by railroads.

The provisions of this act shall apply to service operated by railroad companies partly by railroad and partly by steamboats.

The provisions of this act respecting the rate of compensation and the determination thereof shall not apply to mails conveyed under special arrangement in freight trains, for which a rate not exceeding the usual and just freight rates may be paid, in accordance with the classifications and tariffs approved by the Interstate Commerce Commission.

It shall be unlawful for any railroad company to refuse to carry the mails at the rates of compensation provided by law when and for the period required by the Postmaster General so to do, and for every such offense it shall be fined not exceeding \$5,000.

All laws or parts of laws inconsistent herewith are hereby repealed.

It will be noted that, unlike his first plan, in which he arrogated to himself the ability of crediting, assigning, and apportioning operating expenses to the passenger and freight services in railway transportation, the Postmaster General suggested putting that responsibility upon the Interstate Commerce Commission, but still desired to reserve to himself the right to pay the railroad companies on the basis of the ascertained cost to the railroad companies for carrying the mail and 6 per cent interest on such cost, with the right, if he deem best, of allowing the railroads such additional amounts, "if any be necessary," according to his idea, as shall render the whole a proper proportion of a fair and reasonable return on the value of the property necessarily employed in connection with the mail service.

This second suggested plan of the department was considered by our committee as faulty and undesirable, as it would delegate practically dictatorial powers to the Postmaster General, necessitate making ascertainments and different rates for each of the 795 railroads carrying the mails, the adoption of many arbitraries, which, under the present lack of uniform, scientific method of apportionment of costs to railroads, would not only make the plan undesirable but practically unadministrable.

#### DEPARTMENT SUBMITS A THIRD PLAN.

Upon demonstration, with resultant recognition of the vital defects of its second plan, the department on February 12, 1914, abandoned its scheme for ascertainment and apportionment of operating and capital cost and submitted the following tentative draft of a third bill:

#### A TENTATIVE DRAFT OF SUGGESTIONS FOR RECOMMENDATION FOR LEGISLATION AND REGULATION OF RAILROAD MAIL SERVICE AND COMPENSATION THEREFOR.

The Postmaster General is authorized and directed to readjust the compensation to be paid to railroad companies from July first, nineteen hundred and fourteen, for the transportation and handling of the mails and furnishing facilities and services in connection therewith upon the conditions and at the rates hereinafter provided.

The Postmaster General may authorize railroad mail service and may state railroad mail routes from July first, nineteen hundred and fourteen, and thereafter, in such manner as he may deem proper. Any one or more of the classes of service hereinafter described and provided for may be authorized on a stated route.

Service herein provided for shall be of five classes, namely, full railway post office car mail service, apartment railway post office car mail service, storage car mail service, closed-pouch mail service, and side, terminal, and transfer mail service.

Full railway post office car mail service shall be service by cars forty feet or more in length constructed, fitted up, and maintained for the distribution of mails on trains. Four standard sizes of full railway post-office cars may be authorized and paid for, namely, cars forty feet, fifty feet, sixty feet, and seventy feet in length.

Apartment railway post office car mail service shall be service by apartments less than forty feet in length in cars constructed and fitted up and maintained for the distribution of mails on trains. Five standard sizes of apartment railway post office cars may be authorized and paid for, namely, apartments ten feet, fifteen feet, twenty feet, twenty-five feet, and thirty feet in length.

Storage-car mail service shall be service by cars used for the storage and carriage of mails in transit other than by full and apartment railway post-office cars. Four standard sizes of storage cars may be authorized and paid for, namely, cars forty feet, fifty feet, sixty feet, and seventy feet in length: *Provided*, That less than forty feet of storage space may be authorized in baggage cars on trains upon which full railway post-office cars or apartment railway post-office cars are not operated.

Service by full and apartment railway post-office cars and storage cars shall include the carriage therein of all mail matter, equipment, and supplies for the mail service and the employees of the Postal Service or Post Office Department, as shall be directed by the Postmaster General to be so carried.

Closed-pouch mail service shall be the transportation and handling by railroad employees of mails on trains on which full or apartment railway post-office cars are not authorized, except as hereinbefore provided.

Side, terminal, and transfer mail service shall be the transportation of mails between railroad stations and post offices supplied therefrom and between railroad stations.

The Postmaster General shall, from July first, nineteen hundred and fourteen, restate the service upon the several routes as authorized under this act by making such authorizations of service of the several classes hereinbefore described as he may deem necessary and pay for the service performed in accordance therewith at not exceeding the following rates, namely:

For full railway post-office car mail service at not exceeding 20 cents for each mile of service by a sixty-foot car or its equivalent in authorized car space.

In addition thereto he may allow not exceeding \$1.45 as an initial rate and the same as a terminal rate for each one-way trip of a sixty-foot car, or a prorata part thereof for a car of less length, and not exceeding 12 cents for the first two thousand pounds or less, and 12 cents for each additional two thousand pounds of the average weight of mails loaded or unloaded at initial and terminal of each car run.

For apartment railway post-office car mail service at not exceeding 18 cents for each mile of service by the equivalent in authorized space of a sixty-foot car if the car be other than of steel construction, and 19 cents for each mile of service by the equivalent in authorized space of a sixty-foot car if the car be of steel construction.

In addition thereto he may allow not exceeding \$1.40 as an initial rate and the same as a terminal rate for each one-way trip of the equivalent in authorized space of a sixty-foot car, prorated to the authorized space, and not exceeding 12 cents for the first two thousand pounds or less and 12 cents for each additional two thousand pounds of the average weight of mails loaded and unloaded at initial and terminal of each car run.

For storage-car mail service at not exceeding 18 cents for each mile of service by a sixty-foot car or its equivalent in authorized space.

In addition thereto he may allow not exceeding \$1.30 as an initial rate and the same as a terminal rate for each one-way trip of a sixty-foot car or a pro rata part thereof for a car of less authorized length, and not exceeding 12 cents for the first two thousand pounds or less and 12 cents for each additional two thousand pounds of the average weight of mails loaded or unloaded at initial and terminal of each car run.

For closed-pouch service, on routes upon which closed-pouch service only is performed, at not exceeding ninety-five per centum of the rates of compensation provided by existing law for average daily weights of mail carried over the whole route; on routes upon which apartment railway post-office car and closed-pouch services are performed, at not exceeding \$20 per mile per annum for each two thousand pounds average daily weight of mails carried, and at pro rata of such rate of compensation for each one hundred pounds of average daily weight greater or less than two thousand pounds; and on routes upon which full railway post-office car and closed-pouch services or full railway post-office car, apartment car, and closed-pouch services are performed, at not exceeding \$19 per mile per annum for each two thousand pounds average daily weight of mails carried, and at pro rata of such rate of compensation for each one hundred pounds of average daily weights greater or less than two thousand pounds, the average daily weights to be ascertained in every case by the actual weighing of the mails.

For side, terminal, and transfer mail service the Postmaster General is authorized to provide, in his discretion, by regulation screen or other wagon, automobile, or mail messenger service under existing law, or to contract with the railroad company, after advertisement, for the performance of any or all service on its route. Postmasters at post offices of the third and fourth classes shall be eligible as contractors for this service.

Railroad companies whose railroads were constructed in whole or in part by a land grant made by Congress, on the condition that the mails should be transported over their roads at such price as Congress should by law direct, shall receive only eighty per centum of the compensation otherwise authorized by this act, excepting for side, terminal, and transfer mail service.

The initial and terminal rates provided for herein shall cover expenses of loading and unloading mails, switching, lighting, heating, cleaning mail cars, and all other expenses incidental to station service and required by the Postmaster General in connection with the mails that are not included in the car-mile rate. It shall be fixed upon the consideration of two elements, namely: First, loading and unloading mails, and, second, all other services rendered. For loading and unloading mails it shall not exceed 12 cents per ton, and for the remainder of the rate the allowance for full railway post-office cars, apartment railway post-office cars, and storage cars shall be varied in accordance with the approximate difference in their respective cost of construction and maintenance.

For the purpose of ascertaining the average weight of closed-pouch mails per day upon which to adjust compensation, the Postmaster General is authorized and directed to have such mails carried on the several routes weighed by the employees of the Post Office Department for such a number of successive days, not less than thirty-five, at such times after July first, nineteen hundred and fourteen, as he may direct, and not less frequently than once in every year thereafter, the result to be stated and certified in such form and manner as he may direct. In computing the average weight of mails per day carried on a railroad route, the whole number of days included in the weighing period shall be used as a divisor. The expenses of taking the weights of mails and the compensation to tabulators and clerks employed in connection with the weighings, for assistance in completing computations, and of rental, if necessary, in Washington, District of Columbia, shall be paid out of the appropriation for inland transportation by railroad routes.

In computing the car miles of the full railway post-office cars and apartment railway post-office cars the maximum space authorized in either direction of a round-trip car run shall be regarded as the space to be computed in both directions, unless otherwise mutually agreed upon.

In computing the car miles of storage cars, the maximum space authorized in either direction of a round-trip car run shall be regarded as the space to be computed in both directions, unless the car be used by the company in the return movement, or otherwise mutually agreed upon.

New service and additional service may be authorized at not exceeding the rates herein provided, and service may be reduced or discontinued, with pro rata reductions in pay, as the needs of the Postal Service may require: *Provided*, That no additional pay shall be allowed for additional closed-pouch service on established routes until the next regular readjustment of pay therefor on such routes, and no additional pay shall be allowed for additional car service unless specifically authorized by the Postmaster General.

All cars or parts of cars used for the railroad mail service shall be of such construction, style, length, and character, and furnished in such manner, as shall be required by the Postmaster General, and shall be constructed, fitted up, maintained, heated, lighted, and cleaned by and at the expense of the railroad companies. No pay shall be allowed for service by any railway post-office car which is not sound in material and construction, and which is not equipped with sanitary drinking-water containers and toilet facilities, nor unless such car is regularly and thoroughly cleaned. No pay shall be allowed for service by any wooden full railway post-office car unless constructed substantially in accordance with the most approved plans and specifications of the Post Office Department for such type of cars, nor for service by any wooden full railway post-office car run in any train between adjoining steel cars, or between the engine and a steel car adjoining. After the first of July, nineteen hundred and seventeen, the Postmaster General shall not approve or allow to be used, or pay for service by any full railway post-office car not constructed of steel or steel underframe, or equally indestructible material, and not less than twenty-five per centum of the full railway post-office cars of a railroad company not conforming to these provisions on August twenty-fourth, nineteen hundred and twelve, shall be replaced with cars constructed of steel annually after June, nineteen hundred and thirteen; and all full railway post-office cars accepted for this service and contracted for by the railroad companies hereafter shall be constructed of steel. In cases of emergency, and in cases where the necessities of the service require it, the Postmaster General may provide for service by full railway post-office cars of other than steel or steel underframe construction, and fix therefor such rate of compensation, within the maximum herein provided, as shall give consideration to the inferior character of construction, and the railroad companies shall furnish service by such cars at such rates so fixed.

Service over property owned or controlled by another company or a terminal company shall be considered service of the railroad company using such property and not that of the other or terminal company: *Provided*, That service over a land-grant road shall be paid for as herein provided.

Railroad companies carrying the mails shall furnish all necessary facilities for caring for and handling them while in their custody. They shall furnish all cars or parts of cars used in the transportation and distribution of the mails, except as is herein otherwise provided, and place them in stations before the departure of trains at such times and when required to do so. They shall provide station space and rooms for handling, distribution, and transfer of mails in transit, and for offices and rooms for the employees of the Postal Service engaged in such transportation, when required by the Postmaster General.

Every railroad company carrying the mails shall carry on any train it operates and without extra charge therefor the persons in charge of the mails, and when on duty and traveling to and from duty, and all duly accredited agents and officers of the Post

Office Department and the Postal Service, while traveling on official business, upon the exhibition of their credentials.

If any railroad company carrying the mails shall fail or refuse to provide cars or apartments in cars for distribution purposes when required by the Postmaster General, or shall fail or refuse to construct, fit up, maintain, heat, light, and clean such cars and provide such appliances for use in case of accident as may be required by the Postmaster General, it shall be fined such sum as may, in the discretion of the Postmaster General, be deemed proper.

The Postmaster General shall in all cases decide upon what trains and in what manner the mails shall be conveyed. Every railroad company carrying the mails shall carry on any train it operates and with due speed all mailable matter, equipment, and supplies directed to be carried thereon. If any such railroad company shall fail or refuse to transport the mails, equipment, and supplies when required by the Postmaster General or any train or trains it operates, such company shall be fined such amount as may in the discretion of the Postmaster General be deemed proper.

The Postmaster General may make deductions from the pay of railroad companies carrying the mails under the provisions of this act for reduction in service or in frequency of service where, in his judgment, the importance of the facilities withdrawn or reduced requires it and impose fines upon them for delinquencies. He may deduct the price of the value of the service in cases where it is not performed, and not exceeding three times its value if the failure be occasioned by the fault of the railroad company.

The provisions of this act shall apply to service operated by railroad companies, partly by railroad, and partly by steamboats.

The provisions of this act respecting the rates of compensation shall not apply to mails conveyed under special arrangement in freight trains, for which rates not exceeding the usual and just freight rates may be paid, in accordance with the classifications and tariffs approved by the Interstate Commerce Commission.

Railroad companies carrying the mails shall submit under oath, when and in such forms as may be required by the Postmaster General, evidence as to the performance of service.

The Postmaster General is authorized to have such weights of mails taken and ascertainment of needed space made and to collect such information by employees of the Post Office Department as he may deem necessary, and to have the same stated and verified to him by them under such instructions as he may consider just to the Post Office Department and the railroad companies, and to employ such clerical and other assistance as shall be necessary to carry out the provisions of this act, and to rent quarters in Washington, District of Columbia, if necessary, for the clerical force engaged thereon, and to pay for the same out of the appropriation for inland transportation by railroad routes.

The Postmaster General shall, from time to time, request information from the Interstate Commerce Commission as to the revenue received by railroad companies from express companies for services rendered in the transportation of express matter, and may, in his discretion, arrange for the transportation of mail matter other than of the first class at rates not exceeding those so ascertained and reported to him, and it shall be the duty of the railroad companies to carry such mail matter at such rates fixed by the Postmaster General.

The Postmaster General is authorized, in his discretion, to petition the Interstate Commerce Commission for the determination of a postal carload or less than carload rate for transportation of mail matter of the fourth class and periodicals, and may provide for and authorize such transportation, when practicable, at such rates, and it shall be the duty of the railroad companies to provide and perform such service at such rates and on the conditions prescribed by the Postmaster General.

The Postmaster General may, in his discretion, distinguish between the several classes of mail matter and provide for less frequent dispatches of mail matter of the third and fourth classes and periodicals, when lower rates for transportation or other economies may be secured thereby without material detriment to the service.

The Postmaster General is authorized to return to the mails, when practicable for the utilization of car space paid for and not needed for the mails, postal cards, stamped envelopes, newspaper wrappers, empty mail bags, furniture, equipment, and other supplies for the Postal Service, theretofore withdrawn from the mails as provided by law and transported by freight or express, and thereafter transport them in the railway post-office cars and storage cars herein provided for.

The Postmaster General in cases of emergency between October first and April first of any year, may hereafter return to the mails empty mail bags and other equipment

theretofore withdrawn therefrom as required by law, and where such return requires additional authorization of car space under the provisions of this act, to pay for the transportation thereof as provided for herein out of the appropriation for inland transportation by railroad routes.

The Postmaster General may have the weights of mail taken on railroad-mail routes, and computations of the average loads of the several classes of cars and other computations for statistical and administrative purposes made at such times as he may elect, and pay the expense thereof out of the appropriation for inland transportation by railroad routes.

It shall be unlawful for any railroad company to refuse to perform mail service at the rates of compensation provided by law when and for the period required by the Postmaster General so to do, and for every such offense it shall be fined not exceeding \$5,000.

All laws or parts of laws inconsistent herewith are hereby repealed.

Study of this bill soon convinced our committee that this also was unscientific and most undesirable, as giving unnecessary and dangerous powers to the Postmaster General and containing rates which, if adopted, would be absolutely confiscatory.

#### FOURTH DEPARTMENTAL PLAN.

The demonstration and ultimate realization of the department of its mistakes in its third bill resulted in its submission to the House of Representatives of a draft of what is known as H. R. 17042.

For the information of the reader we will reproduce sections 13, 14, and 15 of this bill (H. R. 17042, Union Calendar No. 243), the only sections which refer to the subject matter of our present study, namely, "Compensation for the transportation of mail":

SEC. 13. That the Postmaster General is authorized and directed to readjust the compensation to be paid to railroad companies from July first, nineteen hundred and fourteen, or as soon thereafter as may be practicable, for the transportation and handling of the mails and furnishing facilities and services in connection therewith upon the conditions and at the rates hereinafter provided.

The Postmaster General may state railroad mail routes and authorize mail service thereon of the following five classes, namely: Full railway post-office car service, apartment railway post-office car service, storage-car service, closed-pouch service, and side and transfer service.

Full railway post-office car mail service shall be service by cars forty feet or more in length, constructed, fitted up, and maintained for the distribution of mails on trains. The authorizations of full railway post-office cars shall be for standard sized cars sixty feet in length, inside measurement, except as hereinafter provided.

Apartment railway post-office car mail service shall be service by apartments less than forty feet in length in cars constructed and fitted up and maintained for the distribution of mails on trains. Two standard sizes of apartment railway post-office cars may be authorized and paid for, namely, apartments fifteen feet and thirty feet in length, inside measurement, except as hereinafter provided.

Storage-car mail service shall be service by cars used for the storage and carriage of mails in transit other than by full and apartment railway post-office cars. The authorizations for storage cars shall be for cars sixty feet in length, inside measurement, except as hereinafter provided: *Provided*, That less than sixty feet of storage space may be authorized in baggage cars on trains upon which full railway post-office cars or apartment railway post-office cars are not operated.

Service by full and apartment railway post-office cars and storage cars shall include the carriage therein of all mail matter, equipment, and supplies for the mail service and the employees of the Postal Service or Post Office Department, as shall be directed by the Postmaster General to be so carried.

Closed-pouch mail service shall be the transportation and handling by railroad employees of mails on trains on which full or apartment railway post-office cars are not authorized, except as hereinbefore provided.

Side and transfer mail service shall be the transportation of mails between railroad stations and post offices supplied therefrom and between railroad stations.

The rates of payment for the services authorized in accordance with this act shall be as follows, namely:

For full railway post-office car mail service at not exceeding 20 cents for each mile of service by a sixty-foot car.

In addition thereto he may allow not exceeding \$2 as an initial rate and the same as a terminal rate for each one-way trip of a sixty-foot car.

For apartment railway post-office car mail service at not exceeding 10 cents for each mile of service by a thirty-foot apartment car, and 5 cents for each mile of service by a fifteen-foot apartment car.

In addition thereto he may allow not exceeding \$1 as an initial rate and the same as a terminal rate for each one-way trip of a thirty-foot apartment car, and 50 cents as an initial rate and the same as a terminal rate for each one-way trip of a fifteen-foot apartment car.

For storage-car mail service at not exceeding 18 cents for each mile of service by a sixty-foot car.

In addition thereto he may allow not exceeding \$2.50 as an initial rate and the same as a terminal rate for each one-way trip of a sixty-foot car.

Where authorizations are made for cars of the standard lengths of sixty, thirty, and fifteen feet, as provided by this act, and the railroad company is unable to furnish such cars of the length authorized, but furnishes cars of lesser length than those authorized, but which are determined by the department to be sufficient for the service, the Postmaster General may accept the same and pay only for the actual space furnished and used, the compensation to be not exceeding pro rata of that provided by this act for the standard length so authorized: *Provided*, That the Postmaster General may accept cars and apartments of greater length than those of the standard requested, but no compensation shall be allowed for such excess lengths.

For closed-pouch service, on routes upon which closed-pouch service only is performed, at not exceeding ninety-five per centum of the rates of compensation provided by existing law for average daily weights of mail carried over the whole route; on routes upon which apartment railway post-office car and closed-pouch services are performed, at not exceeding \$20 per mile per annum for each two thousand pounds average daily weight of mails carried, and at pro rata of such rate of compensation for each one hundred pounds of average daily weight greater or less than two thousand pounds; and on routes upon which full railway post-office car and closed-pouch services or full railway post-office car, apartment-car, and closed-pouch services are performed, at not exceeding \$19 per mile per annum for each two thousand pounds average daily weight of mails carried, and at pro rata of such rate of compensation for each one hundred pounds of average daily weights greater or less than two thousand pounds; the average daily weights to be ascertained in every case by the actual weighing of the mails.

For side and transfer mail service the Postmaster General is authorized to provide, in his discretion, by regulation screen or other wagon, automobile, or mail messenger service under existing law, or to contract with the railroad company, after advertisement, for the performance of any or all service on its route. Postmasters at post offices of the third and fourth classes shall be eligible as contractors for this service.

Railroad companies whose railroads were constructed in whole or in part by a land grant made by Congress, on the condition that the mails should be transported over their roads at such price as Congress should by law direct, shall receive only eighty per centum of the compensation otherwise authorized by this act, excepting for side and transfer mail service.

The initial and terminal rates provided for herein shall cover expenses of loading and unloading mails, switching, lighting, heating, cleaning mail cars, and all other expenses incidental to station service and required by the Postmaster General in connection with the mails that are not included in the car-mile rate. The allowance for full railway post-office cars, apartment railway post-office cars, and storage cars may be varied in accordance with the approximate difference in their respective cost of construction and maintenance.

For the purpose of ascertaining the average weight of closed-pouch mails per day upon which to adjust compensation, the Postmaster General is authorized and directed to have such mails carried on the several routes weighed by the employees of the Post Office Department for such a number of successive days, not less than thirty-five, at such times after July first, nineteen hundred and fourteen, as he may direct, and not less frequently than once in every year thereafter, the result to be stated and certified in such form and manner as he may direct. In computing the average weight of mails per day carried on a railroad route, the whole number of days included in

the weighing period shall be used as a divisor. The expenses of taking the weights of mails and the compensation to tabulators and clerks employed in connection with the weighings, for assistance in completing computations, and of rental, if necessary, in Washington, District of Columbia, shall be paid out of the appropriation for inland transportation by railroad routes.

In computing the car miles of the full railway post-office cars and apartment railway post-office cars, the maximum space authorized in either direction of a round-trip car run shall be regarded as the space to be computed in both directions, unless otherwise mutually agreed upon.

In computing the car miles of storage cars, the maximum space authorized in either direction of a round-trip car run shall be regarded as the space to be computed in both directions, unless the car be used by the company in the return movement, or otherwise mutually agreed upon.

New service and additional service may be authorized at not exceeding the rates herein provided, and service may be reduced or discontinued with pro rata reductions in pay, as the needs of the Postal Service may require: *Provided*, That no additional pay shall be allowed for additional closed-pouch service on established routes until the next regular readjustment of pay therefor on such routes, and no additional pay shall be allowed for additional car service unless specifically authorized by the Postmaster General.

All cars, or parts of cars, used for the railroad mail service shall be of such construction, style, length, and character, and furnished in such manner as shall be required by the Postmaster General, and shall be constructed, fitted up, maintained, heated, lighted, and cleaned by and at the expense of the railroad companies. No pay shall be allowed for service by any railway post-office car which is not sound in material and construction, and which is not equipped with sanitary drinking-water containers and toilet facilities, nor unless such car is regularly and thoroughly cleaned. No pay shall be allowed for service by any wooden full railway post-office car unless constructed substantially in accordance with the most approved plans and specifications of the Post Office Department for such type of cars, nor for service by any wooden full railway post-office car run in any train between adjoining steel cars, or between the engine and a steel car adjoining. After the first of July, nineteen hundred and seventeen, the Postmaster General shall not approve or allow to be used, or pay for service by, any full railway post-office car not constructed of steel or steel underframe, or equally indestructible material, and not less than twenty-five per centum of the full railway post-office cars of a railroad company not conforming to these provisions on August twenty-fourth, nineteen hundred and twelve, shall be replaced with cars constructed of steel annually after June, nineteen hundred and thirteen; and all full railway post-office cars accepted for this service and contracted for by the railroad companies hereafter shall be constructed of steel. Until July first, nineteen hundred and seventeen, in cases of emergency and in cases where the necessities of the service require it, the Postmaster General may provide for service by full railway post-office cars of other than steel or steel underframe construction, and fix therefor such rate of compensation within the maximum herein provided as shall give consideration to the inferior character of construction, and the railroad companies shall furnish service by such cars at such rates so fixed.

Service over property owned or controlled by another company or a terminal company shall be considered service of the railroad company using such property and not that of the other or terminal company: *Provided*, That service over a land-grant road shall be paid for as herein provided.

Railroad companies carrying the mails shall furnish all necessary facilities for caring for and handling them while in their custody. They shall furnish all cars or parts of cars used in the transportation and distribution of the mails, except as is herein otherwise provided, and place them in stations before the departure of trains at such times and when required to do so. They shall provide station space and rooms for handling, distribution, and transfer of mails in transit, and for offices and rooms for the employees of the Postal Service engaged in such transportation, when required by the Postmaster General.

Every railroad company carrying the mails shall carry on any train it operates and without extra charge therefor the persons in charge of the mails, and when on duty and traveling to and from duty, and all duly accredited agents and officers of the Post Office Department and the Postal Service, while traveling on official business, upon the exhibition of their credentials.

If any railroad company carrying the mails shall fail or refuse to provide cars or apartments in cars for distribution purposes when required by the Postmaster General, or shall fail or refuse to construct, fit up, maintain, heat, light, and clean such cars

provide such appliances for use in case of accident as may be required by the Postmaster General, it shall be fined such reasonable sum as may, in the discretion of the Postmaster General, be deemed proper.

The Postmaster General shall in all cases decide upon what trains and in what manner the mails shall be conveyed. Every railroad company carrying the mails shall carry on any train it operates and with due speed all mailable matter, equipment, and supplies directed to be carried thereon. If any such railroad company shall fail or refuse to transport the mails, equipment, and supplies when required by the Postmaster General on any train or trains it operates, such company shall be fined such reasonable amount as may, in the discretion of the Postmaster General, be deemed proper.

The Postmaster General may make deductions from the pay of railroad companies carrying the mails under the provisions of this act for reduction in service or in frequency of service where, in his judgment, the importance of the facilities withdrawn or reduced requires it and impose fines upon them for delinquencies. He may deduct the price of the value of the service in cases where it is not performed, and not exceeding three times its value if the failure be occasioned by the fault of the railroad company.

The provisions of this act shall apply to service operated by railroad companies, partly by railroad, and partly by steamboats.

The provisions of this act respecting the rates of compensation shall not apply to mails conveyed under special arrangement in freight trains, for which rates not exceeding the usual and just freight rates may be paid, in accordance with the classifications and tariffs approved by the Interstate Commerce Commission.

Railroad companies carrying the mails shall submit under oath, when, and in such form as may be required by the Postmaster General, evidence as to the performance of service.

The Postmaster General is authorized to employ such clerical and other assistance as shall be necessary to carry out the provisions of this act, and to rent quarters in Washington, District of Columbia, if necessary, for the clerical force engaged thereon, and to pay for the same out of the appropriation for inland transportation by railroad routes.

The Postmaster General shall, from time to time, request information from the Interstate Commerce Commission as to the revenue received by railroad companies from express companies for services rendered in the transportation of express matter, and may, in his discretion, arrange for the transportation of mail matter other than of the first class at rates not exceeding those so ascertained and reported to him, and it shall be the duty of the railroad companies to carry such mail matter at such rates fixed by the Postmaster General.

The Postmaster General is authorized, in his discretion, to petition the Interstate Commerce Commission for the determination of a postal carload or less-than-carload rate for transportation of mail matter of the fourth class and periodicals, and may provide for and authorize such transportation, when practicable, at such rates, and it shall be the duty of the railroad companies to provide and perform such service at such rates and on the conditions prescribed by the Postmaster General.

The Postmaster General may, in his discretion, distinguish between the several classes of mail matter and provide for less frequent dispatches of mail matter of the third and fourth classes and periodicals, when lower rates for transportation or other economies may be secured thereby without material detriment to the service.

The Postmaster General is authorized to return to the mails, when practicable for the utilization of car space paid for and not needed for the mails, postal cards, stamped envelopes, newspaper wrappers, empty mail bags, furniture, equipment, and other supplies for the Postal Service.

The Postmaster General, in cases of emergency between October first and April first of any year, may hereafter return to the mails empty mail bags and other equipment theretofore withdrawn therefrom as required by law, and, where such return requires additional authorization of car space under the provisions of this act, to pay for the transportation thereof as provided for herein out of the appropriation for inland transportation by railroad routes.

The Postmaster General may have the weights of mail taken on railroad-mail routes and computations of the average loads of the several classes of cars and other computations for statistical and administrative purposes made at such times as he may elect, and pay the expense thereof out of the appropriation for inland transportation by railroad routes.

It shall be unlawful for any railroad company to refuse to perform mail service at the rates of compensation provided by law when and for the period required by the Postmaster General so to do, and for every such offense it shall be fined not exceeding \$5,000.

SEC. 14. That the unexpended balances of the appropriations for inland transportation by railroad routes and for railway post-office car service, by the act of March ninth, nineteen hundred and fourteen, making appropriations for the service of the Post Office Department for the fiscal year ending June thirtieth, nineteen hundred and fifteen, and for other purposes, are hereby available for the purposes of this act.

SEC. 15. That all laws or parts of laws inconsistent herewith are hereby repealed.

#### DEPARTMENTAL RATES CONFISCATORY.

Perusal of the foregoing sections will readily show the reader that through the whole of section 13 permeates the desire of the Post Office Department for increased dictatorial powers, and although the rates suggested therein are a slight increase over those suggested in the third tentative draft of February 12, 1914, yet these rates, if adopted, would be absolutely confiscatory, as the average revenue to the railroads thereunder would be less than 21.8 cents for hauling a 60-foot mail car 1 mile. The justification for making such an assertion is based on the department's own figures.

According to Table 7 of Document 105, the operating expenses and taxes of the railroads alone amounted to slightly over 3.08 mills per mail car-foot mile, or 18.49 cents for hauling a 60-foot mail car 1 mile. This estimate excludes the advertising and other traffic expenses with which the department claimed the mail should not be burdened. The margin between this 18.49 cents and the less than 21.8 cents average rate under this bill is so small that if similar unprofitable rates were made on all railroad traffic the roads would necessarily have to go into bankruptcy, because there would be no sufficient allowance for capital charges.

According to the statistics of railways in the United States for 1911 published by the Interstate Commerce Commission, operating expenses and taxes were 72.53 per cent of the operating revenues. At the same ratio, 7 cents instead of the 3.32 cents allowed under the department rates, would have to be added to the 18.49 cents to allow for capital charges, as the 18.49 cents covers only operating expenses and taxes. In other words, 25.49 cents would have to be paid the railroads for hauling a 60-foot car 1 mile to yield the railroads from the mail business the average rate of profit now realized on all railroad traffic, both freight and passenger taken together.

This is one of many incidents showing the danger of accepting and acting upon the recommendations of departments. It also illustrates the necessity for checking the present trend toward the initiation and control of legislation by officers of the administrative branch of Government.

#### DICTATORIAL POWER DESIRED.

It will be further noted in the bill that in its persistent efforts to secure dictatorial power the Post Office Department has broken all records. The department has persistently insisted that "not exceeding" should prefix any rates that Congress might establish, and this bill contains such qualification, and also contains a clause compelling the railroads to carry mail.

It is claimed that "not exceeding" is but a continuance of existing law, but heretofore the railroads have not been compelled by law to

carry mail. They are supposed to have accepted the rates as a voluntary act, which in itself was assumed to be sufficient guaranty that rates will not be too low, and it was only necessary for Congress to fix maximum rates; but this assumption was not sound, as a railroad would hardly dare to refuse to carry mail because of irritation resultant from such action in the community in which the road operates.

The Interstate Commerce Commission is now authorized to fix maximum freight rates, it being left to the railroads to fix the minimum. It would be considered preposterous that the commission should fix the maximum rates at which railroads must carry freight and leave the shippers to fix the minimum, or for State commissions to fix maximum passenger rates, leaving passengers to fix the minimum, yet this is the very thing that the Post Office Department proposes for mail pay in the departmental bill. Congress is to fix the maximum rates and the shipper—the Post Office Department—is to fix the minimum rates, and the railroads are to be compelled to carry the mail and the postal employees accompanying same. This is a proposition without parallel in the history of rate making.

#### THE COMMERCIAL BASIS.

The Post Office Department contends that “rates for carrying the mails on railroads should be less than those which might be fixed for commercial business.” We believe that railroads are entitled to be paid for mail transportation on a commercial basis.

It is suggested by the Post Office Department that the Government might be favored with rates lower than those warranted on a commercial basis, because of the following considerations:

1. The certainty, constancy, and homogeneity of traffic.
2. The certainty and regularity of payment.
3. Railroads are not built primarily to carry mails.
4. The protection to their mail trains which railroads, as Government agencies, receive against unlawful acts in interference with or obstruction of the mails carried.
5. The principle of public utility.

Full consideration of this argument convinces us that this is fallacious. The money paid for freight, passenger, express, and mail transportation is all ultimately paid by the public. Fair rates should be made in all branches of traffic, otherwise a deficiency of return from one branch must be made up by an overcharge from another branch. The Government is the people organized. The patrons of the freight or passenger train services are the public unorganized. We see no reason for favoring the people organized as against the people unorganized.

Regarding the certainty of the traffic, some claim that the railroads are not compelled to spend as much to get the mail traffic in the way of advertising and traffic bureaus as in the case of the passenger traffic proper, and argue that this would tend to make the mail car somewhat less expensive per mile than the regular passenger car; but even if this were a fact, it is in no wise in conflict with the commercial principle. To make rates correspond with differences in expense is merely an application of that principle. We shall return to this difference between the mail car and passenger car in another chapter.

Unfortunate also is the attempt of the department to find an analogy between the commutation passenger traffic and the mail traffic. The making of low rates per passenger when there are many passengers in a car is not in conflict with the commercial principle. The earnings per car mile may be greater than in the regular passenger service. Only in its infancy may the commutation service be regarded as a by-product. In the long run it should be as profitable as the regular passenger traffic.

The "homogeneity" of the mail traffic strikes us as a figment of the imagination. In what sense eggs, meat, hardware, and letters are homogeneous we will allow the reader to determine. The department's quotation on this subject is from a writer who wrote before the days of the parcel post.

In the matter of the certainty of the payment, we can see no reason for regarding the department as a favored shipper. Is payment once a month for mail service any better than payment in advance from the passenger? Collection in small sums from millions of passengers may be more expensive than receiving one check a month, but, if so, a difference in expense may be recognized without departing from the commercial principle.

It is said that railroads are not built primarily to carry the mails. This may be true. They are built primarily to get all the traffic that can be developed, and, according to the commercial principle, each great branch of that traffic should, if possible, be made to bear its proportionate share of the expenses.

The protection of mail trains in case of strikes is not to be regarded as something upon which a money value can be put. That we should ask the railroads to make a special mail rate upon the understanding that the armed force of the United States Government would help them in case of labor troubles is abhorrent to our minds.

We are asked to consider the principle of "public utility" as a reason for departing from the commercial principle. Just as railroads accept a low rate of profit on one class of freight in order to develop a given territory, they might, it is urged, be called upon to make a special rate on mail because mail helps to diffuse intelligence. The desirability of diffusing intelligence may well be taken into account in fixing the postage rates to be paid by the public, but it is not clear that this has any connection with what the Government should pay the railroads. Do we ask a mail clerk to work for less than a normal salary because he handles letters? Does the manufacturer of desks make a special price to the Post Office Department because the mail service helps to diffuse intelligence? Then why should the railroad, which is merely another instrumentality used by the Government in its mail business, sell its services at an abnormally low rate if the Government is able to pay the normal rate?

The money paid for passenger, express, and mail transportation is all ultimately paid by the public. If fair rates are made in all branches of the traffic, a deficiency in return from one branch must be made up by a tax laid upon some other branch.

The patrons of either the freight or passenger service should pay no more and no less than a fair rate, and the Government should pay no more and no less than a fair rate for the transportation of mail.

Railway cost accounting is in an undeveloped state, and it does not seem possible to reach absolute conclusions on the basis of cost at the present time, but the goal should be, in future tests of the fairness of the rates which we recommend, to assign to each service those expenses which can be assigned directly and to apportion upon equitable bases those expenses which are common to the various services.

In the meanwhile we are confident that our general plan is sound, and if enacted into law will always be retained, and that our suggested rates will be found reasonable, though probably slightly too low.

## CHAPTER V.

### WHAT IS A REASONABLE AND JUST RATE FOR TRANSPORTING MAIL BY RAILROAD?

The annual appropriation by Congress for railway mail pay is to be looked upon as the price to be paid for the purchase of certain services from private corporations. As previously stated, the Government should be viewed as the people organized. The people unorganized—that is, a myriad of individual shippers and travelers—are also purchasers of transportation services from these same corporations. Can there be any difference between the price which the people organized should pay and that which the people unorganized should pay, except as that difference may affect the cost of performing the service?

If 15 passengers collectively should pay an average of 26 cents for 1 mile of transportation in a passenger car, not including their baggage, should not the Government pay the same rate for an equivalent service? Why should the public in one capacity receive any favored treatment over the public in another capacity?

It would seem that the same principles that determine whether passenger rates or freight rates are just and reasonable should apply in the determination of what is a just and reasonable mail rate.

If it were possible at this time to discover the actual cost of performing the mail service and the fair value of the capital employed therein, then the cost including taxes plus a reasonable return on the capital employed might be determinative. At present such information is not available, as for over 20 years no separate reports for railway passenger and other operating expenses have been made to the Interstate Commerce Commission or to any other Federal Government body. Had these separate reports been made to, filed with, and tabulated and presented by the Interstate Commerce Commission, our study of railway mail pay would have been much easier, as we would have had definite and presumably reliable data with which to work down our own apportionment as to the share that should be charged to mail steam railroad transportation.

A start in the right direction has at last been made. Under an opinion of the Interstate Commerce Commission, decided June 13, 1914, "In the matter of the separation of operating expenses," an announcement of the future policy of the commission was made to the effect that it will revise its present Circular No. 3, and, if sufficient progress can be made, carriers will be asked to file a special report for the year ending June 30, 1915, and as early as practicable all carriers of Class I, namely, those roads whose operating expenses exceed \$1,000,000 a year, will be required to assign and apportion all operating expenses between passenger and freight services on bases which will be prescribed.

Whatever may be possible in the future, at this time we can not get conclusive cost and investment data on this subject. Such information regarding cost as has been presented at the hearings has been considered and is not inconsistent with the conclusions we have reached on the basis of comparative earnings. In the determination of what is a reasonable rate, we have been influenced chiefly by a comparison with the railroad earnings from the passenger service.

It is true, when the rates in one service are judged by comparison with rates in another, the question immediately arises as to the reasonableness of the rates used as the standard. If passenger earnings are used as a standard, must we not first demonstrate that passenger earnings are just and reasonable? Unquestionably so.

#### PASSENGER REVENUES A FAIR BASIS FOR COMPARISON.

The passenger earnings of various railroads have for many years been under close scrutiny by the various State commissions. Many States have fixed the passenger rates by statute; and such statutes have been attacked and defended before our courts. In a recent decision regarding advanced rates the Interstate Commerce Commission has indicated the opinion that passenger rates should be increased. Therefore we proceed on the assumption that passenger rates are not too high. Clearly, no satisfactory comparison can be made with the freight service. It might be argued that our standard of comparison should be the express service rather than the passenger service proper. This comparison will be examined in detail in Chapter VI. Suffice it to say here that we know of no comprehensive investigation of the reasonableness of the relations between express companies and railroads, and, furthermore, no reliable information exists as to the railroad earnings from express traffic on the basis of any unit common to the mail and express service. Absolutely the only figure which the Interstate Commerce Commission could furnish us that we could use as a standard for judging of a reasonable mail rate is the average earning per passenger-train car mile. This is an average derived from statistics compiled regularly, year after year, and not with reference to any particular case. The following is the letter received from the secretary of the Interstate Commerce Commission on this subject:

MARCH 24, 1913.

HON. JONATHAN BOURNE,

*Chairman Joint Committee on Transportation of Mail,  
United States Senate, Washington, D. C.*

DEAR SIR: Answering yours of the 20th instant inquiring concerning the average car-mile revenue for passenger-train service, I have to say that from compilations made in the division of statistics of this commission from annual reports of railway companies for the year ended June 30, 1911, it appears that for what we denominate class 1 roads, being those whose operating revenues for the year exceeded \$1,000,000, the average revenue per car-mile from passenger-train service is 25.35 cents; for class 2 roads, being those having operating revenues for the year below \$1,000,000 and above \$100,000, the corresponding figure is 28.59 cents; for class 3 roads, being those whose operating revenues for the year were less than \$100,000, the corresponding figure is 27.45 cents; and for all three classes the figure averages at 25.43 cents.

Owing to the fact that the reports of car mileage and revenues made to this commission in the annual reports of common carriers are not segregated with sufficient detail to enable us to state the revenue derived from the passenger service per car-mile, we are unable to comply with the second request contained in your letter.

To get any reliable information on that point would require a collection of special data from the carriers and the analysis and compilation of such data. This would be a matter requiring a considerable amount of time, for the reason that the carriers in their accounts do not make segregations which would enable them to state from their present records the figures which you seek. To show precisely what you desire would require the setting up of special records by the carriers for a time sufficient to furnish reliable data.

Respectfully,

G. B. MCGINTY, *Secretary.*

#### MAIL AND PASSENGER CAR-MILE EARNINGS.

It is to be noted that this average of 25.43 cents (which is very close to the average for the five years 1908–1912, inclusive, 25.31<sup>1</sup>), is for all passenger train cars, passenger, mail, express, and milk taken together. It is desirable to have the average for the passenger service, including baggage cars, separately, if the passenger service is to be taken as a standard. That this, if it could be ascertained, would be above 25.43 cents, is certain. How much above, can only be approximated.

The passenger train car miles for 1911 aggregated 3,136,774,476. We may take the mail space as in round numbers 260,000,000 car miles in 1911 and the express car miles at 312,000,000, the latter figure being derived by dividing the average express car-mile revenue, 22.647 cents, given by the Post Office Department, into the total express revenue, which was \$70,725,137. Deducting these items we have left the passenger train car mileage, excluding mail and express, of 2,564,774,476. Dividing this into the passenger train revenue with mail and express excluded, yields an average of 26.45 cents.

This brings us to the question whether the mail service should pay the same rate per car mile as the railroad company earns from the passenger service. The evidence before the committee does not admit of an exact appraisal of the difference in the expense to a railroad company between the mail service and the passenger service per car mile.

Some members of the committee think the mail revenue should be at least fully equal to the passenger revenue on a car-mile basis. From this point of view, as heretofore indicated, it may be noted that in practically all instances mail carried on railroads is transported in passenger trains. In point of frequency, speed, regularity, and safety mail service is coincident with passenger service. An improvement or diminution in passenger service means a corresponding improvement or diminution in mail service. Therefore anything that tends to improve passenger service tends to improve the mail service. All expenditures of the railways which tend to develop the passenger

<sup>1</sup> The following figures are obtained by dividing the passenger-train revenues, including mail, express, and other passenger-train revenue, but excluding special-train revenue, by the passenger-train car miles, including baggage, mail, express, and other passenger-train car miles, but excluding special-train car miles. The figures for 1911 differ slightly from the figures given in the letter of the secretary of the Interstate Commerce Commission to the chairman of the joint committee, because certain adjustments were made in preparing that letter which it is not practicable to have made at this time for the entire five-year period:

	Cents per car mile.
1908.....	25.52
1909.....	25.13
1910.....	25.49
1911.....	25.50
1912.....	24.92
Five-year average (1908–1912).....	25.31

service effect an improvement in the mail service as well. While there are some expenditures in the passenger department of the railway service that seem at first thought to be exclusively for the benefit of the passenger service and not directly beneficial to the mail service, yet a close study of the matter will show that all expenditures which facilitate the handling of passenger service and improve that branch of the service in either frequency, speed, regularity, or safety aid very materially, though indirectly, in the development and improvement of mail transportation.

Some persons assert that the mail service is a wholesale traffic, while the passenger service is a retail traffic, and for this reason they think the mail pay per car mile should be slightly less than the passenger revenue per car mile. It should not be lost sight of, however, that although the passenger traffic is in the nature of a retail traffic, yet the passenger pays for his service in advance, while the Government pays only at the end of the month, and sometimes after greater delay than that owing to controversy over the amount due. Moreover, the Government penalizes the railroads for failure of service and for delays, while no such forfeiture is required in the case of passenger traffic. Regulations provide that where interruption of traffic occurs, mail shall be given the first opportunity for movement. It is also required that mail shall be carried upon fast trains without additional compensation, although upon some of the limited trains passengers are required to pay an additional fare.

The final rates agreed upon by our committee are somewhat below the level of the passenger earnings, being an average of 24.69 cents (ignoring the land-grant deduction, which would reduce this rate slightly), as against the 26.45 cents for passenger car-mile revenue indicated on page 87. This difference corresponds approximately with the difference in expense allowed by the Post Office Department. As shown in detail on page 97, the department has presented figures estimating that the mail service is 5.78 per cent less expensive than the average of the passenger train service per car mile. This percentage, deducted from the passenger car-mile earnings of 26.45 cents, leaves 24.92 cents, as compared with the average of 24.69 cents, which is the estimated average yield per car mile under the rates recommended by the joint committee.

#### DESIRABILITY OF UNIVERSAL RATE.

In most of the discussions before the joint committee it has been assumed that whatever mail rate shall be decided upon, it would be the universal rate for the whole of the United States, regardless of geographical or traffic conditions. This has been the custom hitherto in all legislation on this subject. Obviously a rate that is fair for one railroad is not likely to be exactly fair for every other railroad. Nevertheless, we find there is a considerable similarity in the average passenger train car-mile earnings in various sections of the country. It is true that this average is higher for the New England States and for the far Western States than for the country as a whole, but we have concluded that any attempt to adjust for varying traffic conditions would complicate the subject with little likelihood of any more accurate or satisfactory adjustment than will be achieved by the universal rate schedule. The

schedule which we have recommended automatically takes account of differences in lengths of haul, and by making relatively higher rates for apartment cars and closed-pouch service than for whole R. P. O. cars, will also automatically increase the rates to the branch lines and other lines of light traffic. It may be that future studies in cost accounting will make it desirable to have a separate rate schedule for roads lying in mountainous territory or contending with other permanent natural difficulties. But for the present we do not think it wise to attempt to change the well-established custom of having one universal rate schedule for mail transportation by rail.

## CHAPTER VI.

### COMPARISON OF MAIL AND EXPRESS EARNINGS.

In a search for a test of the reasonableness of payments made to railroads for the carriage of mail, comparison with the railroad earnings from express is frequently attempted.

At the outset, we would question the pertinency of such comparison because we have no assurance that equitable relations exist between the railroads and express companies. There does not appear to have been any comprehensive investigation of that relationship. The Interstate Commerce Commission has stated that it has not taken the contracts between express companies and the railroads into consideration in making express rates. (In the matter of Express Rates, No. 4198, 1913, p. 141.) Railroads and express companies are in a partnership, sharing in the gross receipts on a percentage basis. Existing contracts between express companies and railroads were entered into on the basis of express rates in force prior to February, 1914, at which time reduced rates and new conditions were imposed by Government authority. Hence, it would be entirely unwarranted to assume that the present payments to railroads by express companies can afford any satisfactory basis for comparison.

Nevertheless, we shall proceed to examine the two services and the return to railroad companies from each.

The express service undoubtedly costs the railroads less than the mail per car-mile. Railway employees help to load and unload mail but not express matter, except where employees are jointly paid by the railroad and express companies. Express companies do not have the right to designate the trains they will utilize, but the Postmaster General may order mail service on any train. Express cars are cheaper than equipped mail cars. Railroad companies are liable for injuries to mail clerks but not for injuries to express employees. No fines and penalties, such as the Postmaster General imposes on railroad companies, are imposed by express companies. The express car carries a heavier load per car mile, but the gross weight of the car and its contents is probably less than that of the railway post-office car, so that the expense of hauling is probably less per car, but this additional tonnage per car necessarily reduces very materially the cost of hauling per ton-mile. Thus, if the cost in the two cases be assumed to be 18 cents a car-mile, a load of 3 tons of express matter means 6 cents per ton-mile, while a load of 2 tons of mail means 9 cents per ton-mile. The arrant absurdity of comparing ton-mile earnings from mail and express without regard to the difference in the average load per car must be apparent.

But there are other and more important differences between the mail and express services. Express matter is handled at all times by express company employees. A railroad company not only handles the mail at and in stations but in a great many instances bears the expense of transporting mail between the station and the post office. The railroad company furnishes cranes for placing mail aboard cars in the smaller towns and supplies trucks for handling mail at stations in all towns of considerable size. No such service is rendered the express companies.

Mail must be carried on all trains, including the fast trains, while express matter is limited in frequency and speed of service.

Express cars are of simple construction, with practically no furnishing and require little lighting. Mail cars must be of special construction, must be fitted with racks for holding mail bags and cases for distribution of letters en route. The best practicable lighting is also required in order that mail clerks may be able to handle letters rapidly.

Postal employees are carried free on railroads while on official business, whether connected with railroad mail service or not. Transportation of express employees is reciprocated by free services rendered by the express companies for the railroads.

There are other differences which make the express service less burdensome or expensive to the railroads than the mail service. The foregoing enumeration is sufficient, however, to show justification for the statement that a comparison of rates without a comparison of service rendered is lacking in sincerity.

#### COMPARATIVE EARNINGS ON A SPACE BASIS.

In the hearings comparisons were made on four bases: (1) On a space basis—that is, per car-foot mile or per car mile—(2) on a weight basis—that is, per ton-mile—(3) according to average rates per hundred pounds or per package of lesser weight, and (4) on the basis of relative increase in the earnings. Our findings on these four bases are as follows:

##### 1. COMPARATIVE EARNINGS.

For the month of November, 1909, the railroad earnings for hauling an express car were slightly over 23 cents per mile, the exact figure given by the railroads being 3.855 mills per car-foot mile, equivalent to 23.13 cents per car mile (Hearings, p. 71), while the department gave in one place a figure of 3.865 mills (Hearings, p. 1008), but in a letter of May 28, 1914, addressed to the chairman of this committee, the result was given as 3.848 mills per car-foot mile or 23.088 cents per car mile, computed on express revenues reported to the Department by the railroads for the month of November, 1909. A slightly lower figure seems to be warranted for the average of the fiscal year ending June 30, 1910, than for the month of November, 1909. This annual average the department gave in the hearings (p. 1279) as 3.56278 mills per car-foot mile, equivalent to 21.37668 cents per car mile. In checking over the department's figures, Mr. Lorenz discovered that errors had been made in tabulation, and consequently our committee requested the department to recheck its figures, which was done, with the result that the department found 3.7745 mills per car-foot mile, or 22.647 cents per car mile should be substituted for its previous estimate of 3.56278 mills per car-foot mile, equivalent to 21.37668 cents per car mile.

To compare with these railroad earnings per car mile from express traffic, we must find the mail-car-mile earnings calculated on the same basis. This has been given by a joint committee of railroad representatives and post-office representatives as 3.37 mills per car-foot mile, or 20.22 cents per car-mile. (Hearings, p. 324.) It is true that the department has used another figure for the mail earnings, namely, 4.14 mills (Hearings, pp. 100, 324), but this was for only a portion of the space and is not comparable with the express figures. We conclude, therefore, that the evidence before the com-

mittee relating to the month of November, 1909, shows a decidedly lower earning from mail than from express on a car-mile basis.

## 2. COMPARATIVE EARNINGS ON A TON-MILE BASIS.

No accurate information is available on this point. A representative of the railroads gave figures from various sources of 7.4, 7.7, and 7.5 cents per ton per mile as the average railroad revenue from express. (Hearings, pp. 122-123.) The department gives 8.004 cents as the railroad earning from express per ton-mile. (Hearings, p. 1279.) The ton-mile payment for mail transportation, including R. P. O. service, has been calculated by the department at 10.04 cents. (Hearings, p. 852.) But the higher load per car in the express service is undisputed. The load per car in the express service was given by the department in the hearings (p. 1279) at 2.57 tons, but this has been corrected in a letter of May 28, 1914, to read 2.73 tons, as against a mail load of 2.26 tons per car. Both figures are estimates on very uncertain foundations and the quotation of them here should in no sense be taken as our finding that they are even probably correct. But when these loads are multiplied by the ton-mile rates given above (2.73 by 8.004 cents and 2.26 by 10.04), we get car-mile earnings for express of 21.85 cents and for mail of 22.69 cents. These results are in conflict with the car-mile earnings for November given above, namely, 22.647 cents for express and 20.22 for mail and show the unreliability of these statistics furnished us by the department. We conclude that no data exist for obtaining decisive results from the comparison of mail and express earnings on a ton-mile basis, and that such comparisons are worthless unless accompanied by specific information as to the load per car.

## 3. COMPARISON OF RATES PER 100 POUNDS AND PER PACKAGES OF LOWER WEIGHT.

Figures were submitted by the department comparing the average payments for mail transportation between specific cities per 100-pound and per 40-pound packages, with 50 per cent of the first-class express rates recently approved by the Interstate Commerce Commission, the 50 per cent being taken as the railroad company's share of the earnings. (Hearings, pp. 1272-1277.) The comparison is considerably affected by the length of haul and the size of the parcel taken for comparison, since the express rate per pound is less on a 100-pound parcel than on a 40 or a 30 pound parcel. The following is an illustration of the range of express rates as the weight of parcel varies (I. C. C. In the matter of express rates, rate scale 14) :

Weight of parcel.	Rate per parcel.	Rate per pound.
<i>Pounds.</i>		
1.....	\$0. 21	\$0. 2100
10.....	.30	.0300
20.....	.40	.0200
30.....	.50	.0167
32.....	.52	.0162
34.....	.54	.0158
36.....	.56	.0155
38.....	.58	.0152
40.....	.60	.0150
50.....	.70	.0140
75.....	.95	.0126
100.....	1.20	.0120

No reliable data are available as to the average weight of an express parcel to-day, and without such data a comparison of rates on parcels of specific weights is of practically no value. If the average weight be 10 pounds, the revenue per pound will be double what it would be if the average be 40 pounds. Comparison of mail revenue with revenue from 40 to 100 pound express parcels would undoubtedly show that the mail compensation per pound between the selected points is in the majority of cases above the 50 per cent of the express rates, but no useful conclusion can be based upon uncertain premises. It seems to have been overlooked by the department (and also by the railroad representatives in their discussion of this exhibit) that a comparison of rates between specific points is only another form of a comparison on a ton-mile basis.

When we are told that between Akron, Ohio, and Pittsburgh, Pa., for example, a distance of 132.06 miles, the Government pays 30 cents for a 40-pound package of mail while the express company pays the railroad 26 cents for hauling 40 pounds of express matter, this is equivalent to 11.36 cents per ton-mile for mail and 9.84 cents per ton-mile for express. Thus all that has been said on pages 90 and 92 regarding comparisons on a ton-mile basis would apply here. With the average load per car of 2.73 tons and 2.26 tons for express and mail, respectively (used here for illustration but not approved), the above ton-mile rates become 25.57 cents for mail and 26.86 cents for express per car-mile, thus reversing the showing.

We are compelled to reject the department's attempt to show higher relative railroad earnings from mail as reckless and misleading. Any comparison with express at this time of experimentation under the new rates prescribed by the Interstate Commerce Commission must be unconvincing, and it seems clear that when the comparison is made before these new rates went into effect, the evidence before us shows a relatively higher earning from express than from mail, taking the railroads as a whole, although several roads admit that per car-foot mile their express earnings were less than their mail earnings. (Hearings, pp. 335 and 526.)

The Northern Express Co., operating over the Northern Pacific, reports that the records of the latter company show that for the year ending June 30, 1912, the compensation paid by it to that railway was equal to 3.56 mills per car-foot mile, while from the Post Office Department the payments were equivalent to 2.92 mills per car-foot mile. (Hearings, p. 744.) These figures are equivalent to 21.36 cents and 17.52 cents per 60-foot car mile for express and mail, respectively. While the express may be somewhat the cheaper of the two services for the railroad to perform, the differences expressed in money would probably be relatively small. (Hearings, p. 1395.)

Suffice it to say that we are convinced that the railroad earnings from mail were in 1909 decidedly lower than from express on a car-mile basis, which is the best basis for comparison we have. Certainly there is no warrant in the oft-repeated assertion that the Government is being robbed in its mail payments by comparison with what the express companies pay. There has been an amazing amount of reckless assertion on this subject.

## 4. COMPARISON ON BASIS OF INCREASE IN EARNINGS.

We have finally to consider the evidence as to the relative growth in the total revenues to railroads from these two services. The following table shows the railroad revenue from mail and express, respectively, for the 10 years ending June 30, 1912, according to the statistics published by the Interstate Commerce Commission:

Year.	Mail revenue. <sup>1</sup>	Express revenue.
1903.....	\$41,709,396	\$38,331,964
1904.....	44,499,732	41,875,636
1905.....	45,426,125	45,149,155
1906.....	47,371,453	51,010,930
1907.....	50,378,964	57,332,931
1908.....	48,537,768	58,692,091
1909.....	49,391,681	59,647,022
1910.....	48,946,052	67,190,922
1911.....	50,702,625	70,725,137
1912.....	50,935,856	73,203,730
Percentage of increase .....	22	91

<sup>1</sup> It will be noted that the figures in this column are not identical with the figures taken from Post Office Department reports and presented on page 61. The difference is apparently due to the fact that the Post Office Department's reports cover all audited expenditures under this item, while the Interstate Commerce Commission reports cover only mail revenues reported to the commission by the railroads. Some railroads make incomplete or defective reports.

This shows a much more rapid increase in the express revenue than in the mail revenue received by the railroads. Such a comparison can not be taken as evidence as to the earnings from each service per unit of traffic, but it does show that the express payments have been responsive to the growth in traffic while the mail payments clearly have not.

Specific comparisons of railroad mail and express earnings were submitted by the department near the close of the hearings (pp. 1271-1278), and the reply thereto by the railroad representatives (pp. 1334-1341) showed clearly that more detailed investigation must be made to arrive at any satisfactory comparison of mail and express earnings. The Second Assistant Postmaster General himself seemed to feel this, for he was unwilling to base his own rates on the results of his comparisons. He stated that he at no time said that the railroads should be paid only what they received from the express companies for handling the express business. (Hearings, p. 1510.) Being asked specifically what weight he would attach to the data regarding mail and express earnings, he replied, "I would give this weight to it, that I would not increase the rates which we have suggested here" (p. 1511).

As was said in the beginning, we do not regard comparisons with the express service as conclusive evidence. The Government should pay a just price for every service received. If the relations between the express companies and railroads are inequitable to the stockholders of either, perhaps the example thus set by the Government will stimulate an examination and rearrangement of the contracts between the railroads and express companies.

## CHAPTER VII.

### COMPARISON OF EARNINGS FROM PASSENGER AND MAIL TRAFFIC.

We have indicated in Chapters I and V (pp. 14-15 and 86-88) the importance which we have attached to the earnings received by railroads from the passenger traffic as an indication of what is a just rate at the present time. In this chapter we shall review the evidence submitted to us on this subject.

In a statement dated January 6, 1911 (Hearings, p. 71), the railroads' representatives gave the earnings of railroads from passenger service proper as 4.417 mills per car-foot mile and from mail 3.228 mills. These figures are equivalent to 26.502 and 19.368 cents, respectively, per 60-foot-car mile.

In his reply, dated January 17, 1913, the Second Assistant Postmaster General says (Preliminary Report, p. 100) that the department's figures show revenue from mail service of 4.14 mills per car-foot mile, and from other services, 4.16 mills. These figures are equivalent to 24.84 and 24.96 cents, respectively, for a 60-foot-car mile. The cause for these different results was mainly in the treatment of dead space, discussed on pages 69-70 of this report. This was plainly indicated by the joint letter of representatives of the department and the railroads, printed on pages 37-38.

If the "dead space" be charged to the mail service, it was agreed that the earnings from mail would be 3.37 mills per car-foot mile (20.22 cents per car mile), and from other passenger-train services taken together, 4.34 mills (26.04 cents per car mile).

For individual railroads, comparisons are submitted as follows:

Service.	Earnings per car-foot mile.	Equivalent 60-foot-car mile earn- ings.
For the Pennsylvania line east and west of Pittsburgh (November, 1909) (Hearings, p. 427):	<i>Mills.</i>	<i>Cents.</i>
Passenger.....	4.473	26.838
Mail.....	3.195	19.170
Express.....	3.898	23.388
Total.....	4.267	25.602
For the Atchison, Topeka & Santa Fe (September and October, 1911) (Hearings, p. 526):		
Passenger.....	3.89	23.34
Mail.....	3.43	20.58
Express.....	3.28	19.68
Total.....	3.78	22.68
For the Southern Pacific (year ending June 30, 1911) (Hearings, pp. 327-328):		
Passenger.....	5.22	31.32
Mail.....	4.05	24.30

Are the two services comparable? The following are the differences between the two services noted in a statement submitted May 6, 1913, by Mr. J. Kruttschnitt, of the Southern Pacific Co., so far as they are applicable to a space basis (Hearings, pp. 793-794):

## MAIL TRAFFIC.

Cars must be built according to Post Office Department specifications, including post-office features, which diminish the paying carrying capacity, and are subject to alteration on demand of the Post Office Department.

Entire space on which revenue per car-foot mile is based is furnished and maintained by railroad company.

Our standard 60-foot mail car costs more than \$10,000 to construct, and is very expensive to maintain. The weight of standard 60-foot mail car is generally in excess of 116,000 pounds.

The railroads incur extra expense for extra switching of mail cars for loading, unloading, and advance distribution, including placing and lighting at station a considerable time before departure of trains.

Railroads are held liable for personal casualties to railway mail employees carried free, and must also transport agents and inspectors of Post Office Department without charge.

Mail must be carried on fastest passenger trains, mail trains making a higher speed than the average for passenger traffic. Railroads subject to fine for delays.

Railroads pay for loading and unloading cars, and must provide room for mail at stations.

## PASSENGER TRAFFIC.

No such requirements, and railroads can utilize entire floor space of coaches for seats, with necessary aisles. There is also nothing to limit loading of baggage car to space capacity.

As above shown, a large part of the space on which passenger earnings per car-foot mile are based is furnished and maintained by the sleeping-car company without cost to railroad companies. Carrying capacity of sleeping cars is less than one-half that of coaches, and at least a partial deduction of such space is only fair when comparing returns per car-foot mile with mail, as the railroads are relieved of ownership and maintenance expenses, including depreciation and taxes on these cars, and for the further reason that the passenger has to pay an additional charge to the sleeping-car company for the privilege of occupying these cars. For passengers in coaches only, the revenue per car-foot mile is much in excess of that for mail service.

Our 60-foot steel baggage car costs only 70 per cent as much as mail car, and weighs only about 90,000 pounds, maintenance being much less than mail car. Passenger coaches cost about 10 per cent more than postal cars, whilst sleeping cars cost twice as much. The latter cars, however, are furnished without cost to the railroads, and the cost to the railroads for the average passenger car, including the sleepers, which cost them nothing, would be 20 per cent less than the cost of the 60-foot mail car. Coaches weigh somewhat less than mail cars, but sleepers weigh more, the average weight of all cars in passenger service being about the same as the average for mail service.

No such expense for passenger service, as trains are switched in stations only a short time before departure.

Similar liability is incurred for passengers, with the important distinction that the fares paid reimburse the railroads for liability assumed.

No such liability, and average speed in passenger service slower than mail trains.

Passengers load and unload themselves, although accommodations must be provided in stations.

We have already indicated, on pages 14 and 87-88 of this report, our opinion that since speed, regularity, frequency, and safety of mail transportation are coincident with the same features of passenger transportation, and practically every expense which improves the passenger traffic in these respects is also beneficial in a corresponding degree to the mail service, that the mail service should yield the railroads a revenue per car-mile practically the same as that found to be a reasonable revenue for the passenger service per car-mile.

It is true that there are some expenses connected with the passenger service which do not seem at first thought to be beneficial to the mail service, but careful consideration will show that they aid indirectly in promoting the speed, regularity, frequency, or safety of mail transportation. While we believe that the compensation for mail should be on practically the same basis as the compensation for passenger service, the rates we have proposed will yield a somewhat lower revenue.

During the hearings the Post Office Department submitted figures which indicated that the expense for mail transportation per car-mile is 5.78 per cent less than for other passenger-train service. The basis for this statement is as follows:

It gives the percentage of car-foot miles chargeable to mail as 7.09 (p. 1008). However, after deducting the advertising and other traffic expense, it found that the mail was chargeable with only 6.68 per cent of the operating expense and taxes. In other words, the difference (0.41) is the percentage which the excluded expenses are of the total. As the 0.41 is 5.78 per cent of 7.09, we conclude that in the view of the department the expenses charged to mail are 5.78 per cent less than the expenses which would have been charged if all car-foot miles had been taken as equally expensive.

As already shown by one computation, the exclusive passenger revenue is 26.45 cents per car mile. If we deduct 5.78 per cent of this, or 1.53 cents, we have 24.92 cents left as the indicated proper rate ascertained by this line of reasoning, whereas the rates we recommend for adoption give an average revenue of only 24.69 cents per car mile. In other words, if it be agreed that the mail service is 5.78 per cent less expensive than the passenger service, the rates we recommend for adoption leave more than this margin of difference.

#### BAGGAGE-CAR RATES.

In explanation of a tariff filed with the Interstate Commerce Commission by certain railroads giving a rate of 25 cents a car-mile on privately owned baggage cars for certain distances and 20 cents a mile for longer distances, the following statement was offered at the hearings (p. 1170) by a representative of the New York Central:

Mr. ROWAN. I telephoned to New York this morning and found out that that is a rate which is made in connection with theatrical baggage in cases where they do not accompany the baggage, but send the baggage on ahead of them, with Sunday intervening, or something like that.

The CHAIRMAN. That is 25 cents a car mile?

Mr. ROWAN. Twenty-five cents a car mile. The same tariff provides a rate of 25 cents a car mile for empty cars—privately owned cars that are to be transported from one point to another in order to take a load or to go from one road to another.

\* \* \* \* \*

Mr. ROWAN. The point I wanted to bring out is the fact that this is an exceptional rate and tariff reads in this manner: When unaccompanied by parties, or accompanied by parties of less than 10 persons, in which latter case tickets sold at regular first-class rates must be held by each person, the rate from 1 to 499 miles, 25 cents a mile; from 500 miles to 624 miles, \$124; 625 miles and over, 20 cents a mile; a minimum charge of \$15, which, after June 1, 1914, will be \$25, and the rate will be 30 cents per car mile instead of 25 cents, as at present.

The CHAIRMAN. That is an order from the Interstate Commerce Commission?

Mr. ROWAN. Yes, sir; it is a regularly published tariff.

Mr. LLOYD. Is it true that in the case of a privately owned car being transported from one place to another in order that it may be used at some other point, you charge 25 cents per mile for its transit?

Mr. ROWAN. I am not thoroughly familiar with that.

Mr. LLOYD. Do any of the rest of you know whether that is the rule or not?

Mr. PEABODY. That is the rule on the Santa Fe. We move empty cars for private parties at 25 cents a mile.

Mr. ROWAN. Unoccupied cars, passenger or baggage cars, not in service, owned by individuals, theatrical companies, amusement or advertising companies, when moved empty, when in charge of porter or other attendants will be charged for at the rate of 25 cents per mile per car, with a minimum charge of \$25 per car, plus one adult individual fare for each porter or attendant. This charge will apply whether or not the cars move in service in the first direction. After June 1, this rate will be 30 cents.

The CHAIRMAN. What is the date of that order?

Mr. ROWAN. That will be effective June 1.

The CHAIRMAN. What is the designation of the order?

Mr. ROWAN. It is a tariff and it will be a supplement to New York Central Tariff No. 1.

The CHAIRMAN. And goes into effect on June 1?

Mr. ROWAN. Yes. I. C. C. No. 817. The rate in effect to-day is 25 cents per car, and new rate 30 cents per car mile, and the minimum charge of \$15 will be \$25 after June 1.

Senator WEEKS. That means that the rate would obtain in each direction?

Mr. ROWAN. In each direction; yes, sir.

Senator WEEKS. And if the car made a round trip the rate would be doubled?

Mr. ROWAN. It will be doubled; yes, sir.

## CHAPTER VIII.

### COMPARISONS WITH THE PULLMAN SERVICE.

The statistics of the Interstate Commerce Commission do not permit of a separation of the railroad revenues collected from persons riding in Pullman cars. No accurate railroad car-mile earnings from the Pullman service can be given. What the passenger pays for transportation in the sleeping car goes partly to the railroad company for the mere transportation and partly to the Pullman Co. for the special services. We are not concerned with the payments to the Pullman Co. One should think, however, that the railroad company ought to receive somewhat more per car mile for hauling Pullman coaches than for hauling other passenger train cars, because the Pullman coaches are the heaviest cars in the train. A steel sleeping car weighs 73 tons, or from 10 to 13 tons more than a steel postal car. Since the passenger miles traveled by persons in Pullman coaches are not kept separately from other passenger miles, we are unable to state the average number of passengers per Pullman car.

In its report to the Interstate Commerce Commission the Pullman Co. shows that the average number of revenue passengers *per car day* was 12 for the year 1913. The president of the company says in a communication to this committee that this might be taken as the average number of passengers per car, approximately. However, it would seem to be necessarily somewhat high, because all of the passengers who get on a car during a day do not necessarily stay with that car during its entire trip. We also do not know what average fare is paid to the railroad company by passengers riding in Pullman cars. But for a very rough approximation we might say that counting 12 passengers at 2 cents a mile indicates an earning to the railroad company of 24 cents per car per mile. Even if this figure could be relied upon, the exact return to any railroad company would be modified by the nature of the contract it happens to have with the Pullman Co. Some companies pay a mileage for the use of the car, while others share in the Pullman revenues. The fact that the Pullman Co. repairs its cars, thus relieving the railroad company of the care of these cars, must be taken into account. It is frequently said that the Pullman fare is generally about one-fourth of the railroad fare. As the Pullman Co. in 1913 earned 5.804 cents a car mile, according to the report of the Interstate Commerce Commission, this would indicate a railroad earning from passengers in Pullman cars of 23.2 cents per car mile. Accordingly the passengers would pay to the railroad and Pullman Co. together 5.804 plus 23.2 (or 24 cents if this taken as the railroad earning), or a total of from 29 to 29.8 cents for the use of a Pullman car 1 mile. However, whether the Pullman passenger car mile earning be too high or too low is no necessary indication of what the mail rate for a car mile ought to be. Each branch of the railroad service should be studied and equitable rates should be made according to the services performed and the cost of performing them.

## CHAPTER IX.

### ANALYSIS OF THE BILL PREPARED BY THE JOINT COMMITTEE.

The chief feature of the bill is that the basis of payment is the train space occupied by the mails and not the weight of the mails carried. The question of space as a basis for mail pay was discussed in a previous chapter (p. 63-64). A second feature of the bill, which it is believed gives a practical turn to the space idea, is the determination of standard units of 60, 30, 15, 7, and 3 feet of space. This idea was developed at one of the hearings in a colloquy between members of the joint committee, a railroad representative, and an employee of the Post Office Department. (See Hearings, pp. 597-598.)

The purpose of defining standard units is to overcome the uncertainties that would follow an attempt to measure during a statistical period the exact number of feet occupied by the mails. With the unit defined it becomes a simple matter for the Postmaster General to say to a railroad what and how many units of space are required on a given line. The price per unit being stated in the law, there is no ground for dispute, the unit being paid for whether it is fully utilized or not. On the other hand, if the railway company can not furnish the unit asked for, but furnishes a larger unit, it would receive no pay for the excess space furnished. It will be seen, therefore, that the rates hereinafter recommended are to be judged with the understanding that the major portion, but not quite all, of the space actually run, loaded and empty, will be paid for.

The unit plan, however, is not without its own difficulties. The standard full-sized mail car is to be 60 feet in length, inside measurement. A number of 70-foot cars have been built. If the building of 70-foot cars is justified from the standpoint of economy in transportation, the unit plan would tend to discourage such economy in the future. But we are informed that on most roads 60 feet is accepted as a reasonable standard for passenger-train cars. Again, we find that the railroads now have in use many apartment cars of odd sizes, such as 18, 20, and 25 feet. The size of apartments is not easily changed because of the location of windows, doors, and interior equipment. In the bill the railroads are given the option of standardizing the equipment or of accepting a rate of pay proportionate to the length of the car requested by the Postmaster General.

#### ROUND TRIP AUTHORIZATIONS PROVIDED FOR.

The bill provides that payments for full-sized post-office cars, apartments, and storage cars shall be made for the round trip of the car. There is no question about the justice of this in the case of the specially equipped post-office cars and apartments. This is in effect what is done in the passenger service. Although a passenger pays for only the number of miles he actually rides, his fare is fixed upon a

basis which pays for the transportation of the empty space incident to heavier traffic in one direction than in the other. In the figures given on page 87, it is shown that the revenue from passenger service proper is 26.45 cents per car-mile. This computation is made not merely upon the car space actually occupied by passengers, but the entire car space hauled whether occupied or not.

If used by the Government in one direction only, R. P. O. and apartment cars must be returned without being of any use to the railway company. In the case of the storage cars, however, round-trip authorizations were a matter of debate with us. The argument may be made that since storage cars are not a specialized equipment, except to a slight extent, where stanchions are supplied, they may be used on the return movement by railroad companies.

If the Government pays for a storage car on a round trip, the railway company is not allowed to use it, and it might seem as though the bill as worded will encourage empty haulage. The remedy would be to make a single trip loaded movement rate based on the average amount of empty return haul occasioned by the mail service. We had, however, no accurate record of this average empty return that could not be utilized by the railroads, and it seemed best to leave the rate and authorization for the round trip with the proviso that by mutual agreement with the railroad the Post Office Department may pay for single trips only.

It should be remarked, however, that where mail traffic is heavier in one direction than in the other there is usually a corresponding difference in passenger, baggage, and express transportation, so that as a rule where storage mail cars are to be returned empty the railroad company is also hauling empty return baggage and express cars, and would therefore be unable to use to any great extent the empty storage mail cars.

#### RELATIVELY HIGHER RATE FOR SHORT HAULS.

The rates are so arranged that short hauls will receive a relatively higher average compensation than long hauls per mile. The terminal expense of a 60-foot car is the same for a short haul as for a long haul. This adjustment is accomplished by having a terminal rate separate from a line rate. Take, for example, a full R. P. O. car run of 100 miles as compared with one of 200 miles. The terminal rate, being independent of the distance, is alike in both cases, namely, \$8.50 for a round trip, or \$4.25 each way. The line rate being 21 cents a mile, the line charge for the 100 miles is \$21, and for the 200 miles, \$42. The total payments, line and terminal charge combined, would thus be \$25.25 and \$46.25, respectively, making an average payment per mile for the 100-mile trip of 25.25 cents per car mile, and 23.125 cents for the 200-mile trip. For a 300-mile run the average rate per mile would be 22.42 cents for the R. P. O. car, and for 1,000 miles 21.425 cents.

#### EXPLANATION OF RATES.

We now proceed to an explanation of the rates themselves. We have discussed on pages 14-15, 86-88, and 95-97 the controlling importance of the average passenger train revenue per car mile and

the statistics of cost before the committee. The committee's bill, we think, will produce an average rate of approximately 24.69 cents per 60-foot-car mile, before deductions for land-grant routes are made. The exact payment per car mile will depend upon what authorizations the department will make for the various units.

This rate, however, as has been explained above, varies for the different lengths of haul, and it has also been made to vary by making the rate for fractions of cars relatively higher than for full cars. The schedule of the rates is given below:

Class of service.	Terminal charge, irrespective of distance.		Line charge per unit mile run.
	Round trip.	Single trip.	
			<i>Cents.</i>
60-foot R. P. O. car.....	\$8.50	\$4.25	21
Storage cars.....	8.50	4.25	21
30-foot apartment.....	5.50	2.75	11
15-foot apartment.....	4.00	2.00	6
Closed pouch:			
7 feet.....	1.00	.50	3
3 feet.....	.50	.25	1½

The table presented in Chapter I, page 19, shows the estimated relative importance of the various classes of service and of the total terminal as compared with the total line compensation. It will be noted that the total terminal compensation is 11.65 per cent of the total compensation.

For the R. P. O. and storage cars the terminal expense is relatively less important than for the apartment cars and closed-pouch service, because the average length of haul is less in the case of the latter. The average line rate is 21.82 cents. The line rate is less for 60 feet of space in the full R. P. O. service than for the same amount of space in the apartments. This appealed to us as fair on the wholesale and retail principle. When fractions of cars are authorized by the Post Office Department, there is certain to be some waste of space, because it occasionally happens that a company must run an additional car to supply an apartment. On the other hand, it will happen that the department will utilize space for which the company has no other use. The testimony was not conclusive on this point, but we were further influenced by the consideration that the apartment cars will predominate on the railways of lighter traffic.

The following table shows the line rate prorated to a 60-foot basis for each of the units and indicates how the line rate increases with the decline in the size of the unit. The same result, but on a different principle, is to be observed in the construction of the terminal charge, except that the closed pouch is on a lower basis than the apartments for 60 feet of space. This is explained by the fact that no extra switching is occasioned by closed-pouch service.

*Joint committee rates on 60-foot basis.*

Unit.	Rate per unit.		Average distance as tabulated. <sup>1</sup>	Average rate on 60-foot basis.				
	Terminal (round trip).	Line.		Terminal (single trip).	Line.	Terminal and line combined.		
						For average distance.	For 100 miles.	For 1,000 miles.
		<i>Cents.</i>	<i>Miles.</i>		<i>Cents.</i>	<i>Cents.</i>	<i>Cents.</i>	<i>Cents.</i>
60-foot R. P. O.....	\$8. 50	21	301	\$4. 25	21	22. 41	25. 25	21. 42
60-foot storage.....	8. 50	21	556	4. 25	21	21. 76	25. 25	21. 42
30-foot apartment.....	5. 50	11	185	5. 50	22	24. 97	27. 50	22. 55
15-foot apartment.....	4. 00	6	80. 5	8. 00	24	33. 94	32	24. 80
Closed pouch:								
7 feet.....	1. 00	3	34. 5	4. 29	25. 7	38. 13	29. 99	26. 13
3 feet.....	. 50	1. 5		5. 00	30	44. 49	35	30. 50
All units.....					21. 82	24. 69		

<sup>1</sup>Average distances (especially in case of 60-foot R. P. O.'s) are too low, because tabulation was made by R. P. O. routes and not on the operating run of the cars. If the 60-foot R. P. O. average run is 400 miles, the 22.41 would be changed to 22.06 cents.

The terminal charge was constructed as follows: A study of the actual movement of mail cars reveals the fact that very generally railway post-office cars are placed on tracks accessible to mail clerks a considerable time before the departure of the train. This requires extra switching. The terminal charge is made primarily to cover the switching and cleaning of the car. Realizing that conditions at terminals vary tremendously, we have been compelled to approximate an average condition, and in the construction of the rate table it was assumed that there are in the case of an R. P. O. car during a round trip, six switching movements, two of them being the special movement of placing the car for advance distribution of mail and the other four movements due to the fact that any passenger-train car must be put into a train to begin the run, must be switched out at the completion of the one-way trip out, must be placed in the train on the trip back, and out of the train again into the yard. For each switching movement \$1.25 is allowed. We find that there are switching charges in the freight tariffs as low as \$1, and even lower, but in cases before the Interstate Commerce Commission, where switching charges have been investigated, we find that \$3 and more has been frequently approved.

However, there is a considerable difference between freight car switching and mail car switching. A mail car weighs more than three empty freight cars, and mail cars must be switched, at least for the advance distribution, singly, while freight cars are generally handled in cuts consisting of a number of cars. A study of the actual number of minutes required in switching movements will show that the \$1.25 is too low rather than too high.

A study of 13 single-trip full R. P. O. car movements on the Baltimore & Ohio, made for us by Mr. J. C. McCahan, jr., supervisor of mail traffic of that railroad, indicates that at important terminals our terminal allowances are too low. After noting the actual number of minutes during which switch engines were used in switching mail cars, and allowing for such time at \$4 per switch-engine hour, and adding the actual cost of cleaning and the cost of the gas consumed in lighting the cars while clerks are making the advance distribution,

the average per single trip amounted to \$4.58, as against the \$4.25 which we have allowed for the 60-foot car. The six movements at \$1.25 amount to \$7.50. To this we add a cleaning charge for the round trip of \$1, making \$8.50 in all. In the case of the 30-foot apartment, the special mail switchings again are taken as two in the round trip, but the mail, since it occupies but half the car, should be charged with only one-half of the other four switchings. The total four switchings at the rate of \$1.25 amount to \$5, to which is added one-half the cleaning charge, making a total of \$5.50. By the same process the 15-foot apartment terminal charge is made \$4.

The storage car is given the same rate as the R. P. O. car. This is an arbitrary, as we were unable to make a satisfactory appraisal of the differences in the two classes of cars. The storage car with its load will weigh less than the R. P. O., but it costs less to build and equip, and it is not so well lighted. On the other hand, there is a greater tonnage of mail matter carried in the storage car, and this requires more labor for loading and unloading per car.

The loading and unloading of mails has been included in the line charge and not in the terminal charge, since, in making a rate on the car basis, it must be remembered that mail is not merely loaded and unloaded at its beginning and end of the runs, but also continuously along the line. The amount of loading and unloading is thus not independent of the distance. From this point of view any particular railroad station is a terminal for those cars only which originate or terminate at that point, while for all cars passing through such station is regarded as incidental to the line run. This view is consistent with the car-mile unit of payment. To be sure, loading and unloading is not strictly proportional to the distance run, and the more accurate method would be to have a separate factor in the rate based on the total weight loaded or unloaded in any car run, but this would involve a weight-space basis and would complicate the problem more than is necessary for substantial justice.

## CHAPTER X.

### GOVERNMENT OWNERSHIP OF R. P. O. CARS.

The American people have great respect for and obedience to laws. They have the highest regard for their Government and its different branches. There has been a growth of confidence, almost to the extent of belief in the infallibility of heads of departments and bureaus in the administrative branch of our Federal Government. This is probably due to the fact that most of the information relative to governmental operations emanates from the departments in the various reports made by the department heads annually to Congress, and the further fact that the people are seldom brought in personal touch with the heads and have no direct voice in their selection. For these reasons the department heads should be sure of the soundness of their premises and correctness of their conclusions before venturing to make a specific statement which might result in shaking the confidence of the people in the reliability, integrity, or intelligence of Government management.

In 1887 the then Postmaster General, Hon. William F. Vilas, in his report regarding R. P. O. car transportation, gave credence to the idea that the Government would be a gainer to the extent of a million and a half dollars per annum by purchase, ownership, and operation of the R. P. O. cars rather than by a continuation of the present system of paying the railroads for supplying, equipping, maintaining, and hauling the railway post-office cars.

Such a statement unexplained and unrefuted naturally plants in the minds of the individuals cognizant of said statement the seed of suspicion as to the intelligence or honesty in two branches of Government, the legislative and administrative.

Eliminating for the present the question as to the desirability or nondesirability of Government ownership as a public policy, we will deal specifically with the question itself on a purely commercial line and try to ascertain and demonstrate what, if any, truth there be in the statement made by Mr. Vilas.

As has been previously stated, railway-mail transportation under the present system is paid for in two classes, a payment according to the weight of the mail carried and payment for the use of railway post-office cars. A rate based on weight contemplates the transportation of the mail in cars loaded to their normal capacity. This, in the early days of the Post Office Department, was the principal service performed by the railroads. The development of modern business methods increased the importance of rapid transportation and delivery. Although in former times it was entirely satisfactory to have the mail hauled on the trains in bulk and sorted and distributed at junction points or post offices, the demand for more rapid service made this entirely inadequate. Out of this demand for a more rapid service grew the railway post-office car, which is practically a post office on wheels. By the use of such a car railway clerks are enabled to distribute mail en route, not only distributing

it as to the different branch roads upon which it is to go, but also distributing city mail by carrier routes so that there shall be no delay whatever at junction points nor in cities where the mail is to be delivered.

The performance of such service on board the train requires the equipment of cars with a special apparatus, particularly racks for holding mail bags and distribution cases for the sorting of letters. The necessary result of this requirement is that instead of containing 8 to 12 tons of mail, which an ordinary car will hold, the amount of mail actually carried in a railway post-office car averages only 2.26 tons. In other words, the Post Office Department not only requires the transportation of mail but requires the transportation of largely empty cars used for the sorting of mails en route.

The general assumption is that when the Government pays the railroads for the transportation of a certain quantity of mail ascertained by weight, the only additional amount that should be paid for the use of a special car would be one based upon the extra value of the car itself. The fact is, however, that the extra cost imposed upon the railroad company is not due so much to the extra cost of the car as to the extra cost of hauling the additional car space.

An illustration based upon transportation more familiar to the average citizen will indicate the difference in service rendered in transporting mail in cars loaded to their capacity and in cars loaded to one-fourth of their capacity.

Let us suppose that a farmer is shipping his apples to a distant market and is paying the regular ton rate for car lots. Then, owing to circumstances which make it extremely important that immediate transportation of the apples be secured, the producer desires to save the time in which the apples are in transit and asks the railroad company to supply cars in which the apples can be sorted while on the road. The space required in the cars for sorting the apples into different grades makes it impossible to carry more than one-fourth of the quantity theretofore conveyed. Necessarily, the railroad must have increased compensation for providing and hauling the extra cars necessary in order to convey the apples in the small lots made necessary by sorting en route. In the illustration thus presented, the producer would not be merely paying for extra car space but for the hauling of that space over the railroad.

In the case of the transportation of mail in specially equipped railroad post-office cars, the additional payment is not merely for the use of the car space, but for the hauling of the space over the railroads. If the Government itself should own the cars, it would have no more right to ask the railroads to haul them with only 2 or 3 tons of mail therein at rates fixed for the transportation of mail in bulk than the apple producer would have to require the railroad company to haul sorting cars owned by him at the ton rate fixed for the transportation of apples in bulk.

#### WOULD INCREASE EXPENSE.

Our study of the subject has convinced us that Government ownership of post-office cars is entirely impracticable and would be much more expensive to the Government than the present system of compensation. At present the railroad companies own the cars and pay all the expense of heating, lighting, repairing, painting, cleaning,

inspecting, furnishing ice water, etc. If the Government owned these cars, which would be scattered throughout the United States, it would be compelled to employ skilled inspectors to guard against development of defects which would render the cars unsafe, would employ cleaners and arrange for heating and lighting, would maintain repair shops and employ expert mechanics. We do not believe that any person of business experience will doubt for a moment that to maintain the comparatively few R. P. O. cars used in the Railway Mail Service would cost the Government many times what it costs the railroads. Nor do we believe that anyone, after giving the subject consideration, will contend that the railroads should be required to haul such Government-owned cars without additional compensation for the service rendered.

In our investigation of this subject, we have been unable to secure statistics as definite and complete as we desired. Neither the Interstate Commerce Commission, the Post Office Department, nor the railroads have given the subject the investigation necessary to procure definite data. Yet we are convinced of and believe we can demonstrate the absolute fallacy of the contention that the Government could profitably own the railway post-office cars.

According to tariffs filed with the Interstate Commerce Commission, we find that on one-way movements for special passenger cars, including advertising, agricultural, amusement, antituberculosis, dental, exhibition, industrial, photographic cars, etc., the rate per car mile for occupied cars ranges from 40 to 60 cents and for unoccupied cars from 25 to 30 cents on the following lines: Atlantic Coast Line, Baltimore & Ohio, Burlington, Great Northern, L. S. & M. S. (New York Central), Missouri Pacific, New York Central & Hudson River Railroad, New York, New Haven & Hartford Railroad, Pennsylvania Railroad, Seaboard Air Line, Southern, Southern Pacific, and Union Pacific. Of these railroads, the Atlantic Coast Line, Seaboard Air Line, and Southern charge other lines for hauling their unoccupied cars 25 cents per car mile.

While the reasonableness of these charges has not been passed upon by the Interstate Commerce Commission, the fact that no effort at reduction has been made indicates that the rates are reasonable. The Interstate Commerce Commission has not seen fit to question the reasonableness of such rates.

Therefore it may be assumed that if the Government owned the R. P. O. cars and called upon the railroads to transport them on passenger trains with such mail as the Government might place therein the rate would be in the neighborhood of 25 cents per mile, less probably the interest on the cost of the car plus the average cost per annum of general and running repairs and depreciation, providing the Government itself paid for the general and running repairs for its own cars.

Reports received by this committee from 14 of the railroads having the largest mileage of mail service give an estimated average cost per annum of \$1,319.87 for general and running repairs, and \$335.91 for depreciation for each R. P. O. car. The 60-foot steel R. P. O. car costs about \$12,000, the annual interest on which, at 6 per cent, would be \$720. The average run of these cars is about 105,620 miles per annum. The total of the three items of expense above enumerated is \$2,375.78. Dividing this by the number of miles the car travels, it will be seen that the expenses average 2.25 cents per mile, which

would properly be deducted from the 25-cent haulage rate mentioned above.

In other words, if the Interstate Commerce Commission should determine that the railroads were entitled to receive the same haulage rates for Government owned, maintained, and repaired R. P. O. cars as now charged by some roads as between themselves and representing a minimum single-trip charge as between the railroads and the public on unoccupied passenger cars, and if some person or persons should present the Government with a complete line of \$12,000 R. P. O. cars and should pay for the expense of general and running repairs and for depreciation, which according to the above estimates would amount to 2.25 cents per car mile, and the Interstate Commerce Commission should make that deduction from the 25-cent car-mile haulage rate allowed the railroads for hauling the Government-owned cars, it would cost the Government, and the railroads would receive, 22.75 cents per car mile for hauling said cars. But if the Government bought and paid \$12,000 for every 60-foot steel R. P. O. car and it cost the Government no more than it does the railroads for general and running repairs, which supposition is absurd on its face, then the deduction that would be made on the car-mile revenue basis that might be allowed the railroads by the Interstate Commerce Commission would only be the difference between the rate of interest paid by the Government, say 3 per cent, and the rate of interest paid by the railroads, say 6 per cent, on borrowed money applied to the car-mile basis, or a reduction of 3.41 mills, plus a 5-mill car-mile reduction for maximum annual depreciation per car. This would make over 24 cents instead of the 22.75 cents that the Government would probably have to pay the railroads according to the above line of reasoning.

Yet to-day, under present methods, the railroads are receiving a total of only 21.579 cents per car-mile for operating a 60-foot R. P. O. car carrying the average load. This statement is based on the following premises and deductions:

In House Document No. 105, page 196, it is shown that the mail routes carrying over 5,000 pounds a day have 423,666,000 car-foot miles of full R. P. O. service out of a total of 431,000,000, or 98.2 per cent of the entire full R. P. O. car service. On page 37 of the same document it will be found that the routes carrying 5,000 pounds a day or more receive R. P. O. pay to the amount of \$4,631,000 out of a total of \$4,697,000, or 98.6 per cent of the total. Therefore, the routes carrying 5,000 pounds or more daily embrace over 98 per cent of the car miles and over 98 per cent of the compensation for full R. P. O. cars.

Turning to page 852 of the hearings, the Post Office Department statistics show that the routes carrying over 5,000 pounds a day receive for transportation pay (weight pay) \$33,845,070.62. The same table shows that the same routes carried 474,816,564 tons 1 mile. Dividing the latter into the former, we obtain an average rate of 7.128 cents per ton per mile. On page 1279 of the hearings there is a statement from the Post Office Department giving a density of load of 2.26 tons per car. Multiplying 7.128 cents by 2.26 tons, we obtain a product of 16.109 cents as representing the average pay to the railroad company from the weight of mail contained in the R. P. O. car. But in addition to this, the railroad company receives a space rate which, for a 60-foot car, is stated in the law as \$40 per mile of route

for one trip each way (one round trip) daily. The service to be performed to earn this \$40 is to run an R. P. O. car 1 mile each way daily, or twice 365 days, making 730 trips per annum. Dividing 730 trips into \$40, we obtain an average earning per car mile of 5.47 cents for the additional space occupied by R. P. O. equipment, as well as for the light, heat, sanitary attention, etc.

Adding this extra-space pay, 5.47 cents, to the pay for the average weight carried, 16.109 cents, we find a total of 21.579 cents as representing the present pay per car mile to a railroad company for furnishing and operating a 60-foot R. P. O. car, carrying the average load.

Taking the rates in our suggested bill for a 60-foot R. P. O. car, \$8.50 for the terminal round trip and 21 cents for the line rate, with an average run per car of 301 miles, according to data furnished by the Post Office Department, concerning the correctness of which we have grave doubts, we would have a rate of 22.41 cents, being a combination terminal and line rate of 22.41 cents for each car-mile according to the department's estimate of the average distance run by R. P. O. cars.

Thus it will be seen that our own suggested rates are below the rate that the Interstate Commerce Commission might allow on the line of reasoning and deduction set forth in this argument. But some members of our commission have grave doubts whether in our suggested rates the line rate on the 60-foot R. P. O. and 60-foot storage cars are sufficiently high. Hence, we have included in our suggested bill section 7 in order that after two years' practical operation and reliable information with resultant ascertainment, should the rates be found too low, Congress can raise them, and should they be found too high, which in our opinion will not be the case, then Congress may lower them.

#### UNWISE AS PUBLIC POLICY.

In the foregoing discussion of the subject of Government ownership of R. P. O. cars we have disregarded the subject of Government ownership as a general public policy, and dealt only with the question of economy to be effected. We believe that it would not only be expensive for the Government to own the cars, but believe it unwise because it would be the beginning of a general Government ownership policy, eventuating in bureaucratic paternalism, inertia, and, inside of a century, governmental dissolution. Government ownership of part of the railway cars would soon be followed by ownership of the railroads themselves, telephone and telegraph companies, express companies, and electric and water means of transportation.

Up-to-date statistics are not available showing the number of employees in these different services, but the following are presented for the years indicated, being the latest that can be obtained:

1914, number of Government civil employees.....	469, 000
1912, telephone and telegraph employees.....	220, 656
1913, railway employees.....	1, 815, 239
1912, electric and street railway employees.....	282, 461
1906, water transportation.....	188, 348
1907, express employees.....	79, 284
Total.....	3, 054, 988

Under Government ownership and operation there would be over 3,000,000 governmental employees.

Taking into consideration the fact that in the last 10 presidential elections the President has been elected by a plurality varying from 7,000 plus to a little over 2,500,000, the thought naturally arises that 3,000,000 governmental employees could absolutely control the Government under our political machinery, the tendency being more pay, less service in governmental employment, resulting in resistless efforts on the part of outside labor to secure Government employment because less onerous and more remunerative, with accumulative dissatisfaction and irritation in all private enterprise.

Two years ago in the parcel-post study it developed that the express companies had over 79,000 employees receiving an average wage scale of less than \$50 per month, while the postal employee performing a similar service received an average of \$93 per month, demonstrating that under Government ownership and operation of express companies the wage scale would cost the Government, conservatively speaking, \$30,000,000 more for operation in labor payments than it did the express companies.

Governmental efficiency and economy of operation can never equal that of private enterprise, and the whole desiderata of Government should be equal legal opportunity for all and limitation on individual liberty only in the prohibition of preying on the personal or property rights of others. Our present drift to departmental rule and regulation, instead of a government by law, which is the greatest menace to the future of our country, would, in our opinion, be greatly accentuated by governmental ownership.

## CHAPTER XI.

### INADEQUACY OF DEPARTMENTAL DATA.

Before closing this report, we deem it our duty to inform Congress that our work has been greatly handicapped by a deplorable lack of definite information in the Post Office Department regarding its own operations and by the attitude of the representatives of both the Post Office Department and the railroads. On both sides there has been a persistent tendency toward special pleading. From the beginning, the railroads have been opposed to adoption of space as a substitute for weight as a basis for mail compensation. On the other hand, the Post Office Department has evinced a determination to secure a reduction in the total amount of railway mail pay, with little, if any, regard to whether such a reduction is justified or not.

Justification for this criticism will be found in the repeated changes the department has made in its plan, with the ultimate result that it concedes the error of its original contention that the railroads are overpaid to the amount of \$9,000,000 per annum. Seemingly the chief desire of the department has been to effect a reduction in expenditures which would show a surplus in the operation of the Postal Service, and in the accomplishment of this they appear to have deemed railway mail compensation the easiest place to make a reduction.

Representatives of the railroads are open to a similar criticism. A reading of the evidence will show that they were either not in possession of very definite data or they were reckless in their computations showing the amount of underpayment they believed existed. Their estimates of underpayment varied from fifteen millions to thirty-eight millions.

While we regret to criticize any branch of the Government and it is unpleasant to believe that public business affairs are carelessly conducted, yet we believe that the country and Congress are entitled to know the facts. We would hesitate to discuss this subject, if our own experience were unique, but in the course of our work we have learned that other commissions which have studied postal problems have had similar experiences and that the formation of satisfactory conclusions by them was made difficult or impossible by the unreliability and inadequacy of statistics furnished by the Post Office Department regarding its own activities.

As already stated herein, the subject of railway mail pay was studied by a congressional commission from 1898 to 1901. While the result of that commission's work was under consideration in the House, Congressman Moody, of Massachusetts, afterwards justice of the United States Supreme Court, declared in an address in the House of Representatives that during hearings before the commission the Post Office Department submitted statistics showing that the railroads were paid on an average 6.58 cents per pound for transporting mail, averaging 40 cents per ton-mile, with an average haul

of 328 miles, whereas a special weighing demonstrated that the average payment was, in fact, 2.75 cents per pound, averaging only 12.56 cents per ton-mile, with an average haul of 438 miles. Commenting upon these statistics, Congressman Moody said:

In other words, we were not paying one-third as much as the Post Office Department had led the people of the country to believe we had been paying.

Very similar was the experience of a commission appointed in 1911 to investigate the subject of postage on second-class mail matter, of which commission Justice Hughes, of the Supreme Court, was chairman. Repeatedly the statistics submitted by the Post Office Department were shown to be erroneous, and the department changed its figures when compelled to do so by the demonstration of their inaccuracy. So numerous and so glaring were the errors that the commission commented upon some of them as follows:

It seems hardly worth while to include subsidiary tables from which these results are taken or to criticize the details, as the commission has little confidence in their accuracy.

The Hughes Commission also said in its report, in commenting upon the effort of the Post Office Department to present statistics showing a proper apportionment of general post-office expenses to the different classes of mail:

In view of the errors and inconsistencies in which the returns of the post offices abound (we do not extend this report to review them), our examination has convinced us that the computation is not sufficiently accurate to base an apportionment of the cost of the general post-office service.

Having before it this record of unreliability of departmental statistics, this committee could not, with due regard to the fulfillment of its duties, accept the departmental statistics as accurate and reliable unless independent investigation and checking from other sources confirmed the figures the department had given.

The inadequacy of the statistics is no more subject to criticism, however, than the seeming lack of frankness with which the department prepared statistics for submission to Congress and to this and other commissions.

A number of errors have been found in the statistics submitted by the Post Office Department relative to the service properly chargeable against the Government for railway mail transportation. It is singular that in most instances these figures have erred on the side of indicating the possibility or desirability of a lower compensation for carrying mail. Usually when the Post Office Department has been compelled to revise its figures, that revision has resulted in a showing more favorable to the claims of the railroads. In any fair effort to present statistics, it would be reasonable to expect that errors would occur on one side as frequently as on the other.

#### DEPARTMENTAL VACILLATION.

One of the first instances of vacillation in figures submitted to the joint committee by the department was that in regard to over-pay of the railroads. In Document No. 105, Postmaster General Hitchcock recommended for enactment by Congress a bill incorporating

a plan which he recommended as "scientific and businesslike," and which he said would save the Government \$9,000,000 per year. His statement was based upon a report made to him by a committee of his department, of which committee the Second Assistant Postmaster General, Hon. Joseph Stewart, was chairman. The original statement was made on August 12, 1911. The enactment of the Hitchcock plan was recommended not only by Postmaster General Hitchcock, but by his second assistant, Mr. Stewart. These two officials earnestly urged the enactment of that bill until January 9, 1913, when the Postmaster General advised this committee that he recommended three changes, two of which vitally changed the original plan. Mr. Stewart stated in his testimony, a few days later, that the modifications recommended by the department would practically eliminate the alleged \$9,000,000, thus virtually admitting that the original statement, indicating an overpay of \$9,000,000 annually, was not justified.

More than a year afterwards, to wit, January 16, 1914, Second Assistant Postmaster General Stewart informed the committee at a hearing that the \$9,000,000 estimate made by the Postmaster General was an error and that it should have been \$10,531,792, a difference of over a million and a half dollars, which sum would represent the intended original estimate of the department as to the amount of overpay of the railroads. In the same brief in which this correction of figures was made the department presented a table of statistics which will be found on page 996 of the committee hearings, which concludes with the statement that the excess of revenues of railroad companies from mail transportation exceed the apportioned cost under the second or modified plan to the amount of \$1,616,532 for the year 1910, which amount would represent the overpayment to the railroads as estimated by the department. But in a foot note computations are made and it is estimated that the overpayment for 1913 would be about \$319,832, and by a computation made on April 3, 1914 (Hearings, p. 1498), the statement is made that—

These new figures which we submit to the joint committee for consideration produced instead of that surplus (\$1,616,532) a surplus of \$221,832 over all fair charges of cost against the department.

It will thus be seen that the committee had before it estimates from the department of annual overpayments to the railroads to the amounts of \$9,000,000, \$10,531,792, \$1,616,532, \$319,832, and \$221,832.

An amazing feature of this wavering record above described is found in the conflicting statements of the Second Assistant Postmaster General and his chief regarding the alleged saving that could be made by the adoption of the plan of railway mail pay recommended in Document No. 105. It will be remembered that Document No. 105 was prepared by a committee of department officials of which Second Assistant Postmaster General Stewart was chairman. In his letter transmitting that document Postmaster General Hitchcock said:

The committee estimates that through the readjustment of railway mail pay on the basis of cost with 6 per cent profit a saving to the Government could be made of \$9,000,000.

Commenting upon this statement, Second Assistant Postmaster General Stewart said, in his brief transmitted on January 16, 1914:

Unfortunately for the accuracy of the matter the letter of Postmaster General Hitchcock transmitting Document No. 105 differed from the letter of the Second Assistant Postmaster General in stating that "The committee estimates that through a readjustment of railway mail pay on the basis of cost with 6 per cent profit a saving to the Government could be made of \$9,000,000."

Mr. Stewart then goes on to say in his brief that this \$9,000,000 saving was intended to apply to service on railroads which represented 175,922 miles of route out of a total of 220,730 miles, and that the same rate of saving applied to all routes would show a total saving of \$10,531,792. (Hearings, p. 989.)

It is unnecessary for us to enter into a discussion of the question whether Postmaster General Hitchcock misconstrued the language of the committee of which his second assistant was chairman. If the Postmaster General, with all his supposed knowledge of postal affairs, misconstrues the carefully prepared language of a report signed by his second assistant in such a manner as to involve a difference of a million and a half dollars, what basis is there for the assumption that the ordinary citizen can understand what the second assistant means by the language he employs?

It is also worthy of note that the subject of this \$9,000,000 saving was discussed with Mr. Stewart at the first hearing conducted by this committee, January 28, 1913, and was frequently referred to thereafter, but the second assistant made no mention of this discrepancy of a million and a half dollars until January 16, 1914, practically a year later. Whether the discrepancy was not discovered or whether, having been discovered, it was carefully evaded, there is equal demonstration of the necessity for the utmost care in accepting departmental statistics.

#### NUMEROUS INCONSISTENCIES DISCLOSED.

Other vacillations in statistics will now be noted:

One of the most important factors in the consideration of the cost of transportation properly chargeable against the mail service is the relative amount of space the mail service uses. The original statement of the department in Document No. 105 was that the car-foot miles of the mail service were 7.179 per cent of the total passenger-train car-foot miles. In the brief filed on January 16, 1913, this percentage is changed to 7.09 (Hearings, p. 1008), and on April 3, 1914, the percentage was changed to 7.40 per cent on the basis of the department's third plan (Hearings, p. 1493).

In a table compiled from statistics in House Document 105 the statement was made that the express revenues per car-foot mile were 3.865 mills (Hearings, p. 1003); this was later changed in a statement under date of March 24, 1914, to 3.56278 mills per car-foot mile (Hearings, p. 1279, footnote), and in a letter dated May 28, 1914, it was again changed to 3.7745.

In a hearing before the committee (not printed) the department estimated the storage car miles as approximately 38,000,000 per annum, but on June 29, 1914, upon the request of our committee,

reports from field officers were secured and the estimate changed to 51,417,527 storage car miles, an increase of 35 per cent in the original figures.

In an unprinted memorandum submitted to the committee, the closed-pouch service was estimated as 6,108,075 car miles on a 60-foot-car basis, and in a letter of June 29, 1914, this was given as 164,817,446 service miles without any information as to the relation between a service mile and a 60-foot-car mile.

In an unprinted memorandum submitted to the committee, the total railway mail service was estimated at approximately 260,000,000 car miles on a three-unit plan. Deducting the 38,000,000 of storage car miles and 6,108,075 closed-pouch car miles, there would be shown to be 216,000,000 car miles for apartment and R. P. O. service. After a special tabulation was insisted upon by the joint committee, the apartment and R. P. O. mileage on a 60-foot basis was estimated to be 205,000,000 car miles, as contrasted with the 216,000,000 indicated by previous statistics.

In the brief filed on March 24, 1914, the department made the statement that if the mail pay were placed upon the same basis as express earnings the compensation would be \$46,494,978 under the old rates, and \$39,055,782 under the new rates established by recent order of the Interstate Commerce Commission. (Hearings, p. 1279.) The department did not expressly state that it advised placing the mail compensation on the same basis as express revenue, but left the reader to draw his own inference. After vigorous cross-examination at a hearing on April 3, 1914 (pp. 1510-1511, Second Assistant Postmaster General Stewart stated that he had at no time said that the railroads should be paid only what they receive from express companies for handling express business. It was only by that cross-examination that the committee could overcome the inference that the department believed that express revenue should be a gauge to be used in determining mail compensation.

Notwithstanding these numerous concrete instances of departmental vacillation and its lack of comprehension of the essentials of successful business operations, we are confronted with the fact that the present Postmaster General and his predecessor have each furnished an illustration of the greed for additional power innate in humanity by advocating Government ownership and operation, under the Post Office Department, of the telephone and telegraph systems of this country.

Let us picture the result. Keeping in mind the experience of the magazines under the "blue-tag" order, discussed on pages 118-119, and reasoning a priori, it is fair to assume that some Postmaster General, under Government ownership of the telegraph and telephone systems, would practically assume the right of press censorship, with resultant individual dictatorial determination as to what news should be made public and what suppressed, thus absolutely destroying the liberty of the press.

Government ownership of the telephone and the telegraph systems would add 221,000 employees to the present more than 298,000 postal employees, with the inevitable result of doubling the salaries of each of those now in private employ as soon as they enter the Government service, with far less efficient and far more costly service

to the American people, who, after all, pay the bills, whether the Government or private enterprise manage and operate the public utilities.

#### BETTER ACCOUNTING SYSTEM NEEDED.

In view of the amazing number and incredible character of erroneous statistics supplied to this and previous commissions, we are impressed with the idea that the department is in need of the services of some man who is a master of the preparation and submission of statistics, thus enabling the department to comply with reasonable requests Congress may make for data regarding the Postal Service.

The Post Office Department is one of the largest business enterprises in the world. Attainment of efficiency by adoption of the most modern business methods should be one of its fundamental principles. It expends now over \$300,000,000 per year of the money of the people of this country. At the average annual rate of increase for the last 10 years the Post Office Department will within 20 years receive and expend over a billion dollars annually. It is the largest single employer and in its operation reaches into more remote sections of the country than any other institution. With any reasonable degree of effort, the department should be able to give accurate statistics regarding the extent of its activities, the cost of the service, and the revenue therefrom. The fact is, on the contrary, that the department has not been and is not now so conducted as to be able to do this, although, as already shown, repeated attention has been called to the defects in the accounting system.

The necessity of going to outside sources for ultimate verification and also the labor of testing the accuracy of departmental statistics has very greatly delayed the work of this committee. While it is an injury to the pride of an American citizen to know that the most important of our governmental institutions is so utterly lacking in knowledge of its own business affairs, as this record has disclosed, we believe it is a duty we owe to the country, to Congress, and to ourselves to state these facts in order that others may not be misled by assuming that departmental statistics are reliable.

We also feel impelled to suggest that Congress should exercise a more direct supervision over this important branch of governmental administration to the end that Congress shall not be dependent upon the inaccurate and sometimes biased statements of fact submitted by the department.

This exposé of the inadequacy of departmental statistics and the vacillation and inconsistency of the department is not prompted by partisan feeling. The record has been made in the administrations of two political parties. The presentation of this record is prompted solely by the desire to impress upon Congress and upon the American people the need of halting the present tendency to delegate all power to an administrative department.

As a Nation we have been prone to concede the assumed infallibility of individuals who represent the United States Government. We have drifted rapidly and far in the direction of government by men rather than government by law. Only by a frank, fearless, and complete presentation of facts can we hope to warn of the dangers ahead.

## CHAPTER XII.

### DELEGATION OF DISCRETIONARY POWER.

It will be observed that the bill which this committee recommends for enactment leaves as little as possible to the discretion of the officers of the Post Office Department. We believe this of paramount importance.

The Constitution of the United States makes Congress the law-making body. The people of this country who established the Government and adopted the Constitution expressed in perfectly clear language their desire that Congress should make the laws under which they were to be governed. The exercise of this power is not merely a matter of choice with Congress, but it is a duty which it is required to perform.

The enactment of any law which leaves to an executive department the power to adopt rules and regulations is to that extent a delegation of legislative power. We believe, therefore, that in the fulfillment of its obligations to the country, it is the duty of Congress, so far as practicable, to enact laws in such form that a minimum amount of discretionary power shall be vested in administrative departments, so that the measure of every man's rights and duties and responsibilities will be clearly and definitely stated on the pages of our statutes, thus not subjecting any person unnecessarily to the whims or prejudices of men who happen to occupy temporary positions in the administration of law.

### THE DIVISOR ORDER.

The present law governing railway mail pay is very general in its terms, fixing maximum rates that are to be paid according to average daily weights ascertained in 90-day quadrennial weighings. For a great many years this statute was interpreted in one manner as to the method of computing the average, but in 1907 the department changed its interpretation of the law with the result of effecting a reduction in railway mail pay of \$5,000,000 per annum.

It is not our purpose to enter into a discussion of the merits of the controversy over that much-discussed "divisor order." It is sufficient to say that in our opinion no statute should remain upon the statute books couched in such language as will permit the department by a change of interpretation to effect either a reduction or an increase in the rate of mail compensation. If one administration can change its interpretation so as to reduce the compensation of the railroads \$5,000,000, another administration can change the interpretation by effecting a corresponding increase. Thus, in effect, the department has the power virtually to change the appropriation to that extent.

Although the subtleties of legal argument may successfully establish that the exercise of this power is not technically a legislative

power, the incontrovertible fact remains that the department exercised authority which changed the compensation \$5,000,000 a year. We believe the statutes should be so drawn that there can be no uncertainty of this kind, and no such latitude for change of statutes by interpretation.

We believe it pertinent and desirable in this connection to direct the attention of Congress to the persistent efforts of the Post Office Department to secure larger discretionary power which it could use in an arbitrary manner. One of the indisputable instances of this kind was the suggestion in what is known as the Hitchcock plan, submitted to Congress in Document 105, that in fixing rates of compensation for mail transportation the department should be given authority to ascertain the total cost of all railway operation and taxes, and make the separation of such cost as between freight and passenger train service, and then a secondary separation of the passenger-service cost as between passengers, express, and mail, the cost apportioned to the mail service being the basis for the fixing of the rates.

A more astounding proposal could hardly have been made. If given the power to make the apportionment of expenses of freight and passenger train services, and then a secondary apportionment of the cost as between passengers, express, and mail, the department would have power to change the basis of rates to a greater extent than was done in the case of the divisor order. By the adoption of an arbitrary rule for which it would be accountable to no one, the department could change the compensation of the railroads several million dollars a year.

As an illustration of how such discretionary power might be exercised, if conferred, we may cite the recommendation of Postmaster General Hitchcock that the rates of compensation for mail transportation be based upon the actual cost of operation and taxes, with 6 per cent thereof as a profit. His recommendation made no allowance for an adequate return to cover interest on indebtedness or return on capital employed. We are not aware of any other authority occupying a position of trust and responsibility who has ever fathered the suggestion that a business enterprise can be successfully conducted upon such principles. The very fact that such a recommendation was made by a Postmaster General and six of his subordinates is sufficient evidence that it would be worse than folly to delegate large discretionary power to a department likely to be conducted by men entertaining such opinions.

Although advocacy of the Hitchcock plan has been abandoned by the department, we make this reference to its fundamental features because it illustrates the dangers incident to congressional abdication of legislative functions and the delegation of such functions to the administrative branch of Government.

#### BLUE TAG ORDER.

Congress had another very apt illustration of the manner in which discretionary power is likely to be exercised, in the famous "blue tag" order of the Post Office Department. Under that order, the department caused some periodicals to be removed from the mail train service and transported by freight, although rival magazines.

apparently the same in character and equally interested in prompt transportation and delivery, were continued in the shipments by mail. After considerable protest, the department acknowledged its error in some of these particulars, and indicated its willingness, when the change could be effected, to return such publications to the mail, but found difficulty in doing so owing to the fact that a weighing had been made while the magazines were removed from the mail, and a return of such publications to the mail after the weighing would be a manifest injustice to the railroads. The facts in the case, however, show that in the exercise of discretion which had not been expressly delegated to it by Congress, the department was willing to discriminate between publications which were all paying exactly the same rate of postage and gave some of them the benefit of mail transportation while others were compelled to accept such service as could be had by freight. The idea that when the same rate of postage is paid, different grades of service shall be accorded is something new in public service policies. The fact that such policies could be deliberately adopted is, in our opinion, conclusive proof of the undesirability of expressly delegating unnecessary discretion to the department.

#### DISCONTINUANCE OF PARCEL-POST STAMPS.

As another illustration of the tendency toward assumption of power by an executive department we may cite the instance of the order of the Post Office Department discontinuing the use of parcel-post stamps, notwithstanding the plain requirement of a statute. When the parcel-post problem was under consideration Members of Congress became cognizant of the lack of definite statistics regarding the cost of handling the different classes of mail or the amount of revenue derived therefrom. In order to supply this information for the benefit of Congress in the future a provision was inserted in the parcel-post law requiring the use of distinctive stamps on fourth-class matter. The enforcement of this requirement would give the department reliable information regarding the revenue derived from parcel-post business. The adoption of approved methods of accounting would enable the department to ascertain approximately the relative cost of handling parcel-post matter. This information as to both revenue and cost would be of great value to Congress in determining what changes in parcel-post rates are justified. Notwithstanding the fact that this requirement was contained in the statute and the reason therefor was made plain by the report of the Senate Post Office Committee recommending the enactment of the parcel-post law, the Post Office Department discontinued the use of such stamps, thereby removing any possibility of a future ascertainment of fourth-class mail revenue upon which any reliance could be placed. This action of the department is all the more surprising in view of the showing we have made in the previous chapter as to the inadequacy of data possessed by the Post Office Department regarding its other activities.

#### AUTOCRATIC POWER SOUGHT.

That the present administration is no less ardent an advocate of delegation of discretionary power to the administrative departments than was the previous administration, is indicated by the provisions of the tentative bill suggested by the department on February 12, 1914,

which bill the Postmaster General recommended for enactment. One section of this bill may be cited for illustration. It reads as follows:

The Postmaster General shall from time to time request information from the Interstate Commerce Commission as to the revenue received by railroad companies from express companies for services rendered in the transportation of express matter, and may, in his discretion, arrange for the transportation of mail matter other than of the first class at rates not exceeding those so ascertained and reported to him, and it shall be the duty of the railroad companies to carry such mail matter at such rates fixed by the Postmaster General.

A reading of this paragraph shows that the department considers itself better fitted than the Interstate Commerce Commission to fix transportation rates. That section requires the Interstate Commerce Commission to inform the Postmaster General what revenues are received by railroad companies for express service, and then authorizes the Postmaster General to fix rates for the transportation of matter other than first class at not exceeding those so ascertained, and makes it the "duty of railroad companies to carry such mail matter at such rates *fixed by the Postmaster General.*"

This provision would apply to matter of the second, third, and fourth classes, namely, newspapers, magazines, and other periodicals, printed matter, parcel-post matter, and also to free matter. All these classes of mail, constituting approximately 90 per cent of the total weight of all mail matter, the railroads would be required to carry at rates which the Postmaster General could fix as low as he pleased, but not exceeding the average express rates.

No investigation would be required, no hearing need be granted; the railroads could have no opportunity for defense, the reasonableness of rates could not be attacked, there could be no appeal—the mere ipse dixit of the Postmaster General would determine the rates the railroads should receive for transporting all second, third, and fourth class, and free mail matter.

The greed for power manifested by this recommendation is surpassed only by the concentrated egotism which prompted the belief that the department could rightly exercise such power if granted.

Possessed of the power the Post Office Department has requested in the various measures it has proposed and advocated, the Postmaster General might well exclaim in the language of a famous European monarch, "The state! I am the state!"

#### BUREAUCRACY GONE MAD.

Unless confronted by the record of its recommendations, we would be loath to believe that any administrative department could presume to ask such a delegation of power from an intelligent, self-respecting, legislative body imbued with a fair appreciation of its own functions.

In view of the evidence, which is submitted on pages 111–116 of this report, showing the inability of the department to procure and present reliable statistics regarding its own operations, it is difficult to conceive how the department could imagine itself competent to make an apportionment of expenses between freight and passenger train service and among passengers, express, and mail.

Equally difficult is it to comprehend by what course of reasoning the department could bring itself to believe that Congress might enact a law which required the railroads to carry mail and then bestowed upon the Postmaster General the power to fix the rates.

Verily, this is bureaucracy gone mad.

## CHAPTER XIII.

### CONCLUSION.

Briefly summarizing the results of our 19 months' study—

We are convinced that space should be substituted for weight as the basis for railway mail compensation; that the rates should be such as will yield a car-mile revenue approximating the car-mile revenue derived from passenger service; that legislation on this subject should be drawn as specifically and comprehensively as possible, and that as little as need be shall be left to the discretion of the Post Office Department.

The record herewith presented fully demonstrates the wisdom of Congress in refusing to enact the legislation proposed by the Post Office Department in its four suggested plans.

It is easy to legislate hastily. It requires no deliberation whatever for Congress to act blindly upon the ill-considered recommendations of a department or bureau head. This entire subject could have been disposed of in 1912 by the prompt enactment of the bill proposed by Postmaster General Hitchcock, or in 1913 by enactment of the modified Hitchcock plan, or early in 1914 by enactment of the first Burleson plan. The enactment of any of these now abandoned plans would have satisfied misguided clamor for immediate action. But Congress would have forfeited its own self-respect and the respect of the American people upon discovery that it had acted unwisely and that an unjust, unscientific, and impractical plan had been adopted.

We believe it better for Congress to bear the unjust criticisms of those who are misled by hasty advisers than to place upon the statute books laws which will be demonstrated by experience to be unworthy the approval of men charged with the sacred trust of legislating intelligently for all the people of the United States.

It has been our view that it is not our duty to endeavor to make out a case that is favorable or unfavorable to either the Government or the railroads, but to ascertain with as great accuracy as possible what is a reasonable compensation to be paid. We believe that the Government should deal justly with its citizens, for if it expects them to deal justly with one another and with the Government, the Government must set the example by dealing justly with them.

We are aware that it is popular to denounce and attack the railroads and that it would be pleasing to the taxpayer if the expenditure for railway mail compensation could equitably be reduced. We do not believe, however, that the American people desire the mails carried by the railroads or by anyone else for less than a reasonable compensation therefor. We have endeavored to ascertain what are reasonable charges. We recommend that such charges be paid. To what extent the rates we suggest will increase the total amount of

compensation is largely problematical for the reason that it can not be known in advance exactly what space the Post Office Department will authorize for the transportation of mail. We firmly believe, however, on the showing made in the Lorenz table, submitted on page 19, Chapter I, of this report, that the enactment and operation of our suggested bill will not result in increased postal expenditures of more than \$3,000,000 over the actual appropriations carried in the last Post Office appropriation bill for railway-mail pay, including inland transportation by railroads, postal pay for freight or expressage, and railway post-office car service.

That there should be an increase in railway-mail pay need not be surprising; in fact, it must be expected. The volume of postal revenue increased at the average rate of about 7 per cent per annum, or an average of about \$13,000,000 a year during the 10-year period from 1903 to 1913. This necessarily means a corresponding increase in the volume of mail. No reasonable man can expect that the Government can increase its postal revenues at an average rate of \$13,000,000 per year without increasing its expenses in practically all departments of the service, though perhaps at a smaller ratio. In this connection it is pertinent to remark that although the postal revenues doubled in that 10-year period railway-mail compensation increased only 20 per cent.

We submit as an appendix herewith an itemized statement of expenditures of the committee aggregating \$6,560.50 up to August 1, 1914. On August 24, 1912, Congress appropriated the sum of \$25,000 for the use of our committee. We have on hand a balance, therefore, of \$18,439.50 still available out of which to defray such additional expense as may be incurred in working out a plan for mail pay to electric roads and in conducting the study of postage on second-class mail matter. The itemized statement will be found on pages 123 and 124.

The expenditures of this commission contain no items of expense on account of the members themselves. As heretofore explained, two members of the commission, the chairman, Hon. Jonathan Bourne, jr., and Hon. Harry A. Richardson, ceased to be members of the Senate on March 4, 1913. In pursuance of the act of Congress continuing the personnel of the commission, they have continued to serve without compensation and have paid their own expenses.

The expenditures above mentioned do not cover printing, which, under general laws, is paid for out of the general printing appropriation bills.

## APPENDIX.

*Financial statement of the Joint Committee on Postage on Second-Class Mail Matter  
and Compensation for the Transportation of Mail.*

### APPROPRIATION.

By special act of Congress, Aug. 24, 1912..... \$25,000.00

### DISBURSEMENTS.

Salary secretary (Robert H. Turner), July 10, 1913-Aug. 1, 1914, 12 months and 21 days.....	\$2,540.00
Salary stenographer (F. E. Ramsay), Apr. 7-July 15, 1913 ....	330.00
Salary stenographer (Janie M. George):	
Aug. 25-Sept. 25, 1913.....	\$100.00
Nov. 1-15, 1913.....	26.00
May 21-June 29, 1914.....	136.00
July 1-31, 1914.....	104.00
	366.00
Salary, clerical (Thomas L. Lloyd), Mar. 10-May 10, 1914, 2 months.....	250.00
Salary statistician (M. O. Lorenz):	
July 28-July 31, 1913.....	\$30.00
Aug. 1-Sept. 30, 1913.....	600.00
	630.00
Extra help, clerical, Apr. 1, 1913-June 25, 1914.....	220.00
Official stenographer for hearings (Warren M. Mitchell):	
Jan. 28-Feb. 17, 1913.....	\$493.35
Mar. 27-Apr. 22, 1913.....	547.50
Sept. 22, 1913.....	150.15
Jan. 20-Feb. 3, 1914.....	329.05
Feb. 26, 1914.....	56.00
Mar. 16-Apr. 3, 1914.....	577.85
	2,153.90
Traveling expenses:	
R. H. Turner to New York, Aug. 15-16, 1913....	18.38
M. O. Lorenz to New York, Aug. 15-16, 1913 ....	18.24
	36.62
Office supplies, Apr. 16, 1913-July 31, 1914 .....	29.94
Telegrams and telephones:	
Telephone.....	\$2.45
Telegrams.....	1.59
	4.04
	6,560.50
Balance in treasury July 31, 1914 .....	\$18,439.50

## LIST OF VOUCHERS IN ORDER OF ISSUANCE.

1913.

Jan. 28-Feb. 17, stenographic services reporting hearings, Warren M. Mitchell	\$493. 35
Mar. 27-Apr. 22, stenographic services reporting hearings, Warren M. Mitchell	547. 50
Mar. 26, telephone, Mrs. H. G. Daley	2. 45
Mar. 15-Apr. 1, clerical, Miss Blanch Austin	25. 00
Apr. 1-Apr. 15, clerical, Miss Blanch Austin	32. 50
Apr. 15-May 1, clerical, Miss Blanch Austin	25. 00
Apr. 7-May 1, stenographic services, Mrs. F. E. Ramsay	80. 00
May 1-May 16, stenographic services, F. E. Ramsay	50. 00
May 16-May 31, stenographic services, F. E. Ramsay	50. 00
June 1-June 30, stenographic services, F. E. Ramsay	100. 00
July 1-July 15, stenographic services, F. E. Ramsay	50. 00
July 10-July 31, services as secretary to the joint committee, Robert H. Turner	140. 00
Aug. 6-Aug. 12, clerical services, Mr. J. J. H. Poole	25. 00
Aug. 1-Aug. 31, services as secretary, Robert H. Turner	200. 00
July 28-July 31, statistician, Mr. M. O. Lorenz	30. 00
Aug. 1-Aug. 31, statistician, Mr. M. O. Lorenz	300. 00
Sept. 22, stenographic services reporting hearings, Warren M. Mitchell	150. 15
Aug. 25-Sept. 24, stenographic services, Miss J. M. George	100. 00
Sept. 1-Sept. 30, statistician, M. O. Lorenz	300. 00
Sept. 1-Sept. 30, services as secretary, Robert H. Turner	200. 00
Oct. 1-Oct. 31, services as secretary, Robert H. Turner	200. 00
Aug. 15-16, traveling expenses, Robert H. Turner to New York	18. 38
Aug. 15-16, traveling expenses, M. O. Lorenz to New York	18. 24
Nov. 1-Nov. 30, services as secretary, Robert H. Turner	200. 03
Nov. 1-Nov. 15, stenographic services, Janie M. George	26. 00
Apr. 16-Dec. 4, stationery, Charles N. Richards	7. 90
Dec. 1-Dec. 31, services as secretary, Robert H. Turner	200. 00

1914.

Jan. 20-Feb. 3, stenographic services reporting hearings, Warren M. Mitchell	329. 05
Dec. 27, 1913-Feb. 27, stationery, Charles N. Richards	6. 10
Jan. 1-Jan. 31, services as secretary, Robert H. Turner	200. 00
Feb. 1-Feb. 28, services as secretary, Robert H. Turner	200. 00
Feb. 19 and Mar. 7, Western Union (\$0.71 and \$0.48)	1. 19
Feb. 26, stenographic services reporting hearings, Warren M. Mitchell	56. 00
Mar. 1-Mar. 31, services as secretary, Robert H. Turner	200. 00
Mar. 10-Apr. 10, clerical services, Thomas J. Lloyd	125. 00
Mar. 16-Apr. 3, stenographic services reporting hearings, Warren M. Mitchell	577. 85
Mar. 14-June 5, stationery, Charles N. Richards	5. 85
Apr. 1-Apr. 30, services as secretary, Robert H. Turner	200. 00
Apr. 10-May 10, clerical services, Thomas J. Lloyd	125. 00
May 1-May 31, services as secretary, Robert H. Turner	200. 00
May 21-May 23, statistical service, A. C. Devoe	8. 50
May 21-June 13, stenographic service, Janie M. George	80. 00
May 22-May 29, clerical service, I. C. Racoosin	28. 00
May 22-May 27, clerical service, James H. Irwin	17. 50
May 23-May 27, clerical service, Margaret P. Wilson	14. 00
May 25-May 27, clerical service, Elizabeth B. Burt	10. 50
June 2, Western Union, telegram	. 40
June 1-June 30, services as secretary, Robert H. Turner	200. 00
June 9-June 16, clerical service, I. C. Racoosin	24. 00
June 15-June 30, stenographic service, Janie M. George	56. 00
July 1-July 31, stenographic service, Janie M. George	104. 00
July 1-July 31, services as secretary, Robert H. Turner	200. 00
July 18, stationery, R. P. Andrews Paper Co.	2. 80
July 8-July 31, stationery, Charles N. Richards	7. 26
July 31, clerical service, Virginia Early	10. 00

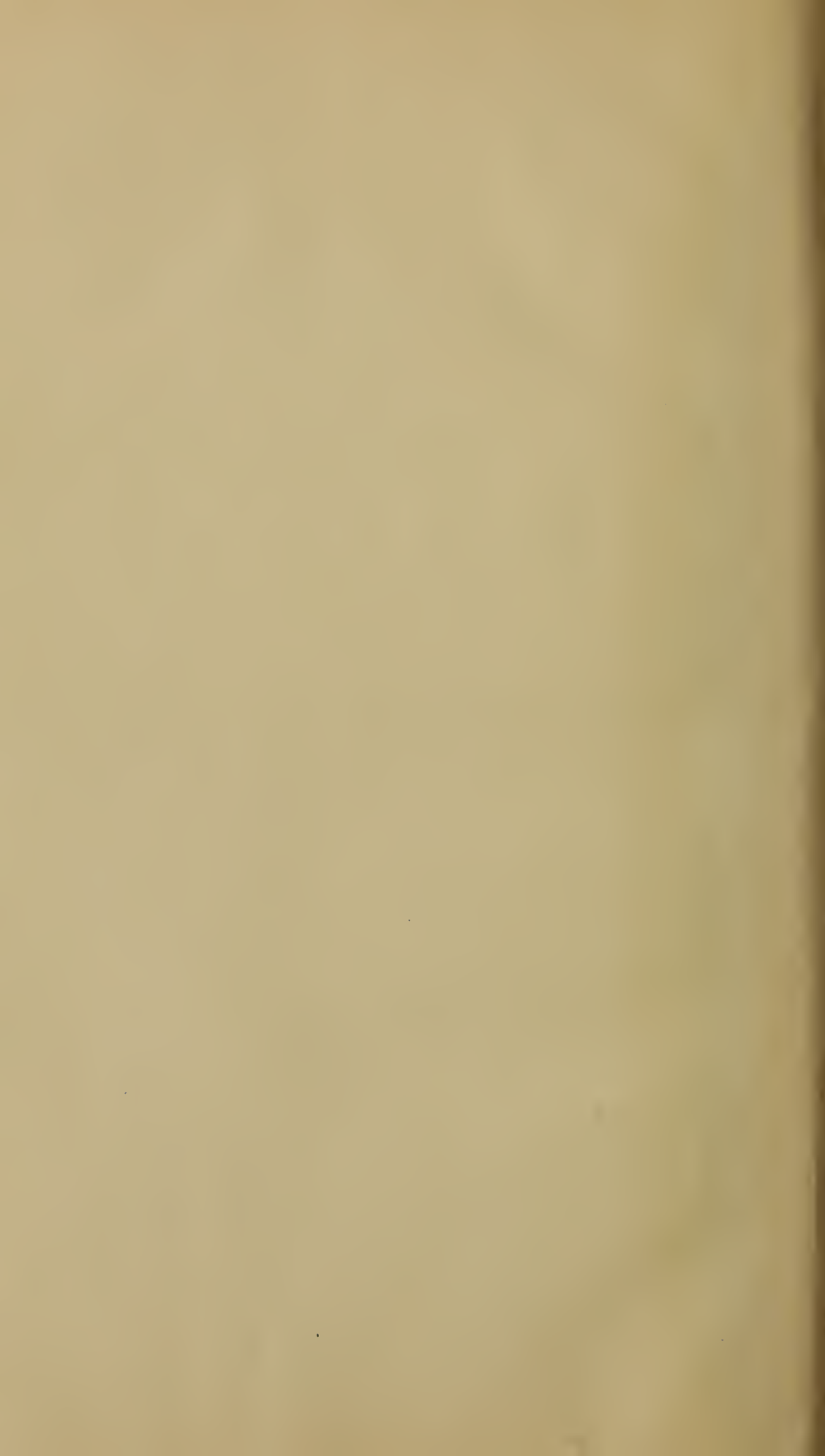
July 31, 1914 ..... \$6, 560. 50

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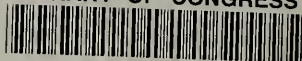








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